In MoPac operations, the word is "change"

March 31,1975

RAILWAY AGE

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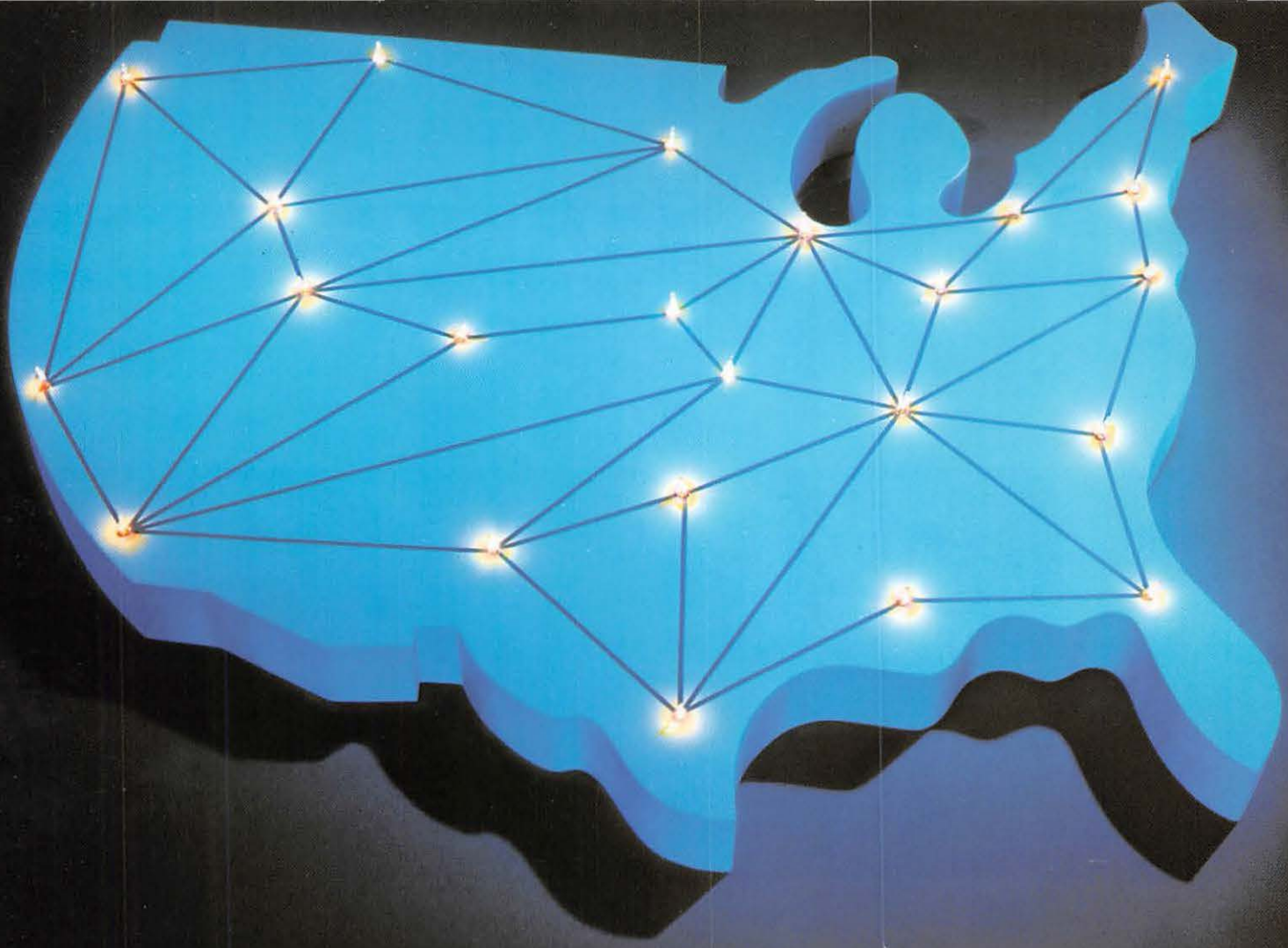

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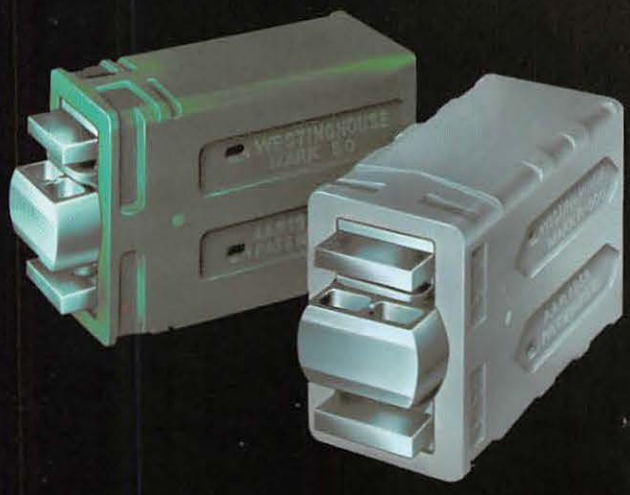

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Report RSA, Chicago, September 18, 1972

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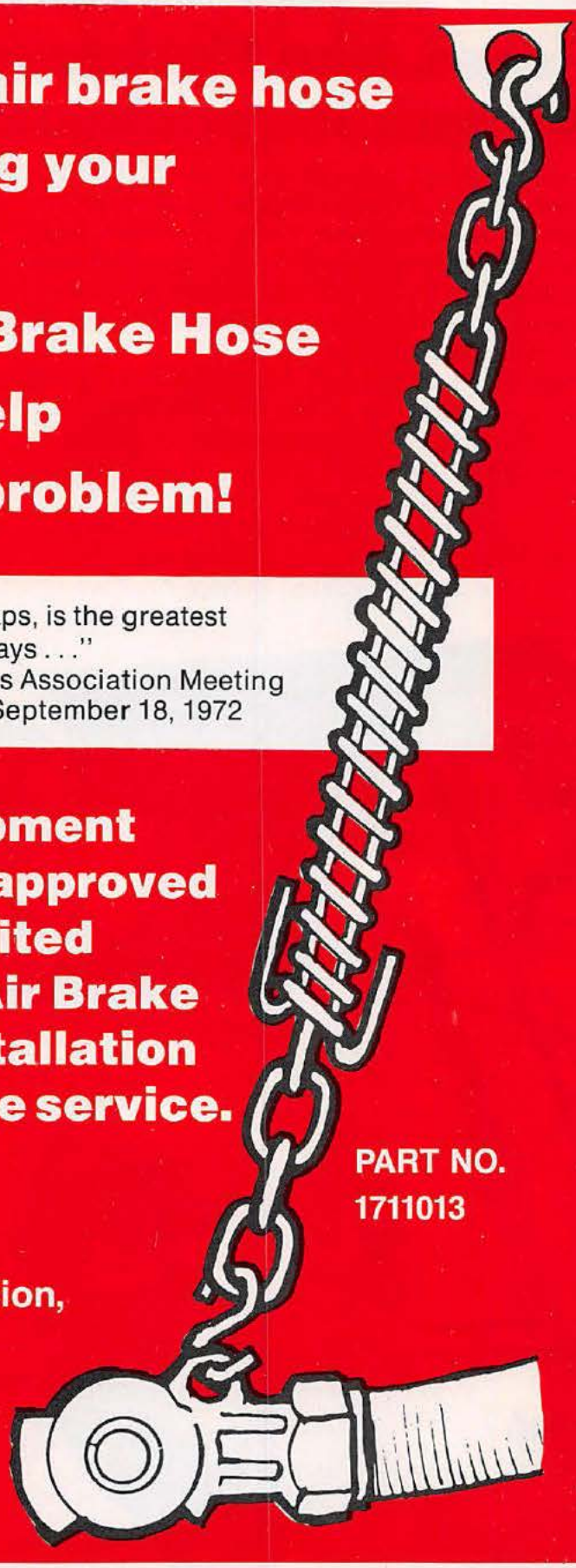

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March 31,1975 • Vol. 176 No. 6

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Inside

LUTHER S. MILLER

WHAT A DIFFERENCE. . .

"The nation is now in the midst of a severe car shortage. . .The situation is the tightest it has been in all railroad history." That was the way our annual freight-car supply survey started out a year ago.

And this year? *"Yard tracks and sidings all across the country have turned into long narrow parking lots for freight cars. . ."*

The picture is a bleak one. In a tailspin economy, freight carloadings have plunged along with everything else: in this year's first 11 weeks, loadings dropped 14% below the record levels of 1974. Piggyback loadings were down even more sharply—30.2%. The average daily freight-car shortage has dropped from 42,000 a year ago to around 2,000—which means that for most types of cars in most parts of the country there is actually a substantial surplus of equipment.

But while conceding that "things are bad"—and may get worse before they get better—Senior Editor Gus Welty, author of this issue's cover story on car supply, suggests that "bad as they are, that should not be allowed to obscure the fact that over the past several years, railroads—individually and collectively—have made substantial progress in putting equipment assets to better amd more productive use." How that progress has been achieved, and what is being done to extend and broaden the achievement, makes for a surprisingly upbeat story in these dismal times. It begins on p. 20.

CAR ACQUISITION: BUY—OR LEASE?

At a time when 70,000 freight cars are in storage, and orders for new cars are running at less than one-third of last year's levels, it might seem anomalous to devote a major article to the subject of car acquisition—specifically, to the question of whether it is better to lease or to buy.

Not, so suggests Tyler Glenn, executive vice president of Itel Leasing Corp., who observes, "In a recession, there's a requirement to preserve cash, and leasing can be of great assistance." And Robert B. Oppenheimer, president of the Railcar Division of North American Car, makes the point that in these difficult times "railroads have plenty of places besides cars to spend their money, especially roadbeds. I can see an increased likelihood of them leasing cars."

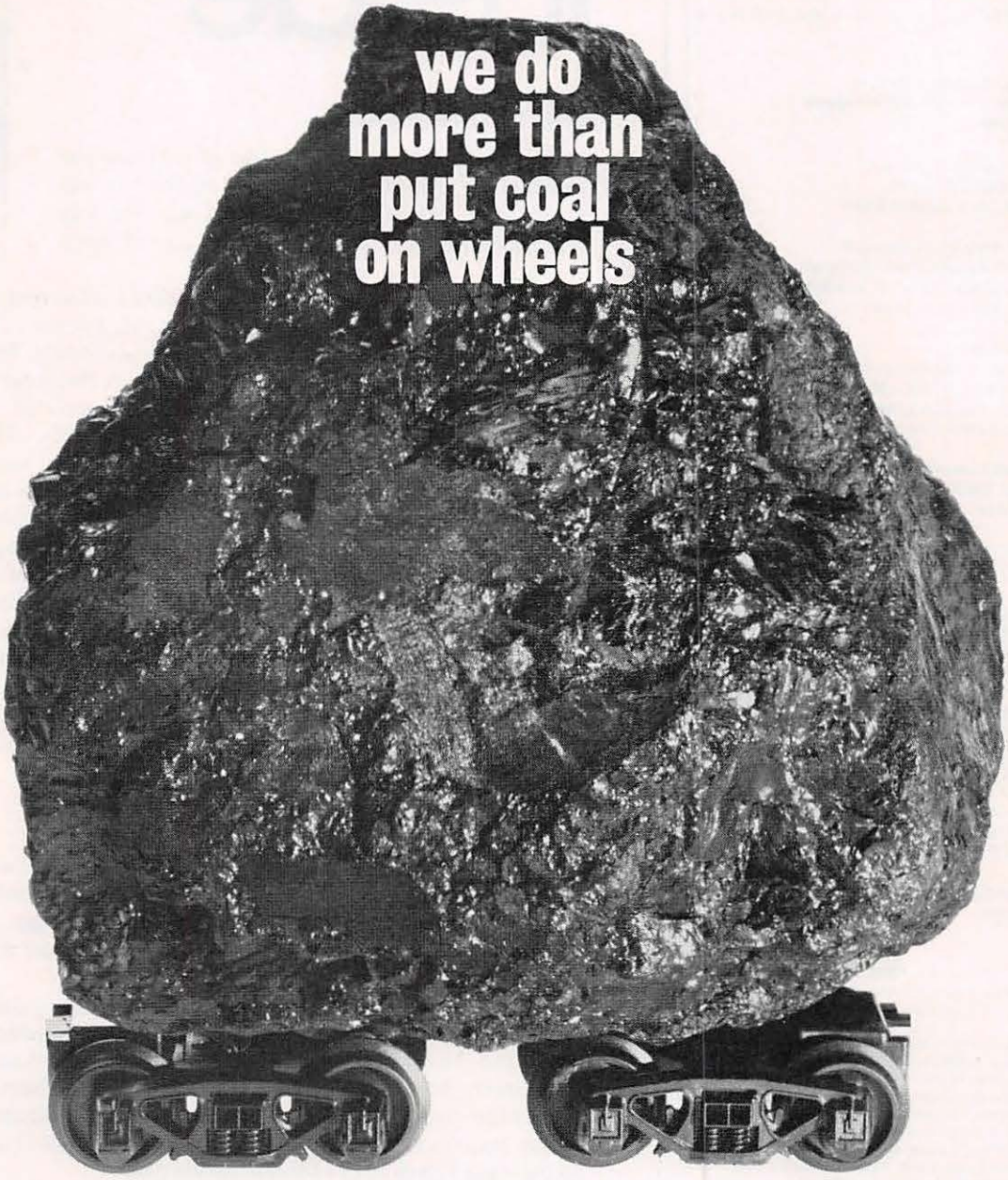
The whole question is one of tradeoffs. John C. Felten, president and general manager of U.S. Railway Manufacturing, suggests that too many railroad financial men are asking, "What am I giving up?" when they should be asking, "What am I getting?"

What railroads give up when they decide to take the leasing route—and what they gain—is the subject of the article by Joe Asher (a former associate editor of Railway Age who now works for Banking magazine), starting on p. 26.

UNCLE SAM ON THE SECTION GANG?

No railroad executive has been a more persistent and effective foe of nationalization than Union Pacific Chairman Frank Barnett. Under his direction, UP has published two exhaustive surveys documenting the superiority of private railways over nationalized systems. Mr. Barnett is equally opposed to "halfway" nationalization—such as takeover of roadbeds by the government. Putting Uncle Sam on the section gang, he said recently, not only would cost taxpayers $2 billion a year—but would eliminate any hope for reduction of overcapacity of rail plant in many parts of the country. Why Mr. Barnett has reason to be worried is the subject of Watching Washington (p. 12).

United States Railway Equipment Company



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MARCH 31, 1975

FEATURES

ACF photo shows Center Flow cars of 4,650-cu-ft-capacity recently added to Chessie System's grain-hauling fleet.

CAR SUPPLY:

What a difference a year makes. . . . . p. 20

New freight cars: Lease—or buy? . . . . . p. 26

•

In MoPac operations, the key word is "change" . . . . . p. 32

TRAFFIC POLL: Shippers like USRA plan, split on ConFac . . . . . p. 38

NEWS

1975 labor settlements: Progress— . . . . . p. 8

—but the Clerks union still balks . . . . . p. 8

For Santa Fe, spending deferred. . . . . p. 8

WSJ, Business Week back track takeover . . . . . p. 8

New leaders in TOFC/COFC . . . . . p. 8

BN moving on GB&W deal . . . . . p. 8

Milwaukee's moving the Mini's . . . . . p. 8

FRA commissions safety study . . . . . p. 8

The Rock crumbles—and the scramble is on. . . . . p. 10

DOT backs capital grants for Amtrak . . . . . p. 16

OPINION

INSIDE — What a difference— . . . . . p. 5

LINES ON LABOR — Right answers for the right questions. . . . . p. 16

VIEWPOINT — Who's going to do something about coal? . . . . . p. 68

WATCHING WASHINGTON — Sleeping giants . . . . . p. 12

DEPARTMENTS

Advertising Sales Offices . . . . . p. 67

Carloadings . . . . . p. 63

Interchange . . . . . p. 52

Letters . . . . . p. 50

Market Outlook. . . . . p. 63

People in the News. . . . . p. 56

Products Report . . . . . p. 42

75 Years Ago . . . . . p. 60

Suppliers . . . . . p. 58

Short and Significant

1975 LABOR SETTLEMENTS: PROGRESS. . .
Railroads now have three-year labor settlements covering seven unions, with high hopes of increasing the total in the near future. UTU, the M/W Employes, the Signalmen, and the Sheet Metal Workers were first to agree; since then, agreements have been reached with the Locomotive Engineers, the Machinists, and the Train Dispatchers. Cases involving four other shopcrafts are in mediation.

. . .BUT THE CLERKS UNION STILL BALKS
Less high are current hopes regarding the settlement with the Brotherhood of Railway and Airline Clerks, which is now in the process of taking a strike vote. If the vote is pro-strike (as such votes almost always are), BRAC would be free—in theory, at least—to walk out April 18 if no agreement is reached by then. Odds are good, however, that an emergency board would be created, thus shoving any self-help date back by a minimum of 60 days. BRAC has a number of objections to the settlement agreed to by other unions, but the big hangup appears to be the union's insistence on job guarantees for all employees with two years' seniority.

FOR SANTA FE, SPENDING DEFERRED
When things looked better, last year, Santa Fe budgeted $215 million for railway capital improvements for 1975. Now, things don't look so good, and Santa Fe has temporarily cut back—deferring $40 million in capital projects. Almost all of the deferrals will involve locomotive-rebuild programs and welded-rail installations; orders for new locomotives and freight cars are secure, as is the Barstow yard project.

WSJ, BUSINESS WEEK BACK TRACK TAKEOVER
The country's two most influential business publications — the Wall Street Journal and Business Week — have endorsed the concept of Federal takeover and modernization of railroad trackage in the Northeast and Midwest. Under a proposal advanced by the United States Railway Association, ConFac (Consolidated Facilities Corp.) would take over the roadway of bankrupt carriers, rehabilitate it, and "rent" it back to private carriers — much as the Federal government now provides airways and highways in return for user fees. A March 17 Business Week editorial commented: "Nationalization—even of decaying facilities owned by bankrupt companies—is never easy for businessmen to accept. But under the circumstances, nationalization of the rails is the only way out." The Wall Street Journal, in a March 11 editorial, reached the same conclusion. "ConFac is a Hobson's choice but it may be the best Hobson has available," said WSJ.

NEW LEADERS IN TOFC/COFC
The National Railroad Piggyback Association and its Allied Industry Section have new top officers. President of NRPA is Eugene A. Solvie, assistant vice president-marketing and sales, Milwaukee Motor Transportation; heading the supplier group is Serge P. Neprash, manager-truck tire sales, Armstrong Rubber.

BN MOVING ON GB&W DEAL
Burlington Northern says that it will buy all stock shares and all debentures of Green Bay & Western tendered under its late-1974 offer and made subject to purchase before the offer's early-March expiration. How much was tendered? More than 85% of outstanding shares of stock and close to 40% of the debentures. Purchase, BN notes, is subject to ICC authorization and to conditions contained in the offer. ICC, meanwhile, has a request of another sort regarding the BN/GB&W connection: Milwaukee Road's request to the ICC, in a petition related to the original BN merger, that BN withdraw its bid to acquire control of GB&W.

MILWAUKEE'S MOVING THE MINI'S
Milwaukee Road is back in the mini-grain-train business (RA, Aug. 26, 1974, p.24) with 20 100-ton covered hopper cars in service between Perry, Iowa, and a Pillsbury barge-loading facility on the Mississippi River at Linwood, Iowa. The trains will be making three 600-mile roundtrips each week.

MAINE CENTRAL SUSPENDS MAGAZINE
The "Maine Central Messenger," one of the most highly regarded of railroad publications, has fallen victim to the recession—at least temporarily. In the February/March issue of the magazine, MC President E. Spencer Miller announced that publication has been suspended as part of an austerity program occasioned by (1) declining freight revenues and (2) the ICC's turndown of a 7% rate increase request. Miller said publication will be resumed "when the necessary freight rate increases are finally permitted."

FRA COMMISSIONS SAFETY STUDY
The Federal Railroad Administration is paying a consulting firm $1,100 a day to analyze and evaluate FRA's rail safety inspection program. In announcing the award of a $99,000-contract to Arthur Young & Co. for a 90-day study, FRA's acting administrator, Asaph H. Hall, observed: "We are committed to a strong, effective FRA safety program, and the best way to achieve it is through having experts outside of government take a good objective look at our operations."

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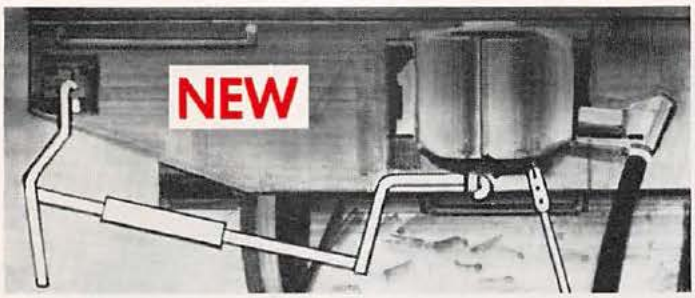

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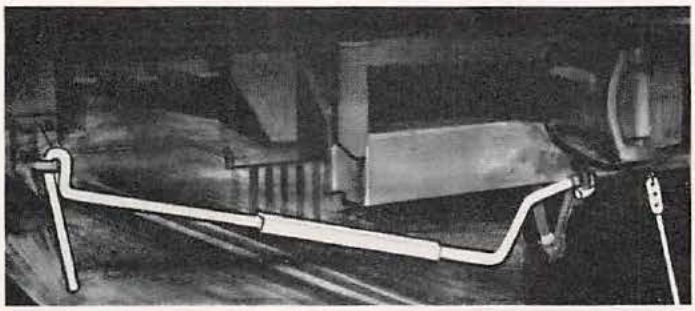

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The Rock crumbles—and the scramble is on

Union Pacific in Chicago? Southern Pacific in Kansas City? Rio Grande in Omaha? Milwaukee Road in Pittsburgh? Rock Island gone? With a real stretch of the imagination, any or all of the above *could* happen. But as March hurried toward April, nobody could say what *would* happen in either the Rock Island collapse—which seemed to hold center stage—or the continuing saga of northeast reorganization, on which ICC's Rail Services Planning Office was still holding hearings. Only one thing seemed for-sure: With its March 17 filing for bankruptcy and with its talk of an all-freight embargo March 31, Rock Island was forcing people's hands all over the place—mostly at ICC and in executive offices of more than a dozen railroads. Dates became all-important: March 21, for submission to the Commission of contingency plans for operating Rock Island; March 28, Good Friday, for the first court hearing on the bankruptcy petition; March 31, maybe, for an embargo; then, by court permission, on April 12, maybe, for a shutdown.

Actually, most observers looked for a restructuring of traffic-handling—in the event RI stopped altogether—which would not drastically remake the western railroad map (as an ICC administrative law judge had suggested in his recommended report in the merger case). Most observers figured that, at least for the time being, ICC would let those closest at hand do the job and not allow what could be termed "territorial invasion." And, a fast look at one plan (covering RI's southwestern operations) indicated that for the most part this is what the other carriers also had in mind: many railroads would be involved, all significant RI points would be served and most customers would be able to continue to ship by rail.

In all of this, RI itself remained something of an enigma. It filed for bankruptcy, it raised the matter of embargo. But then it also went to ICC for permission to apply, on short notice, a $30 surcharge on carload traffic, and a $15 surcharge on piggyback traffic, interstate and intrastate, originating and terminating on RI lines. That last move had not been expected. Presumably the surcharges were intended to give all concerned a little more time to decide what to do, with the added revenue from the surcharges designed to keep the cash-short road going. On the other hand, there were indications that even before the filing of the surcharge application at least some shippers were leaving what appeared to be a sinking ship. Facing the possibility of surcharges, other shippers could be expected to join the movement.

ROCK ISLAND TRAINS, in mid-March, were chugging toward an April 12 shutdown date.

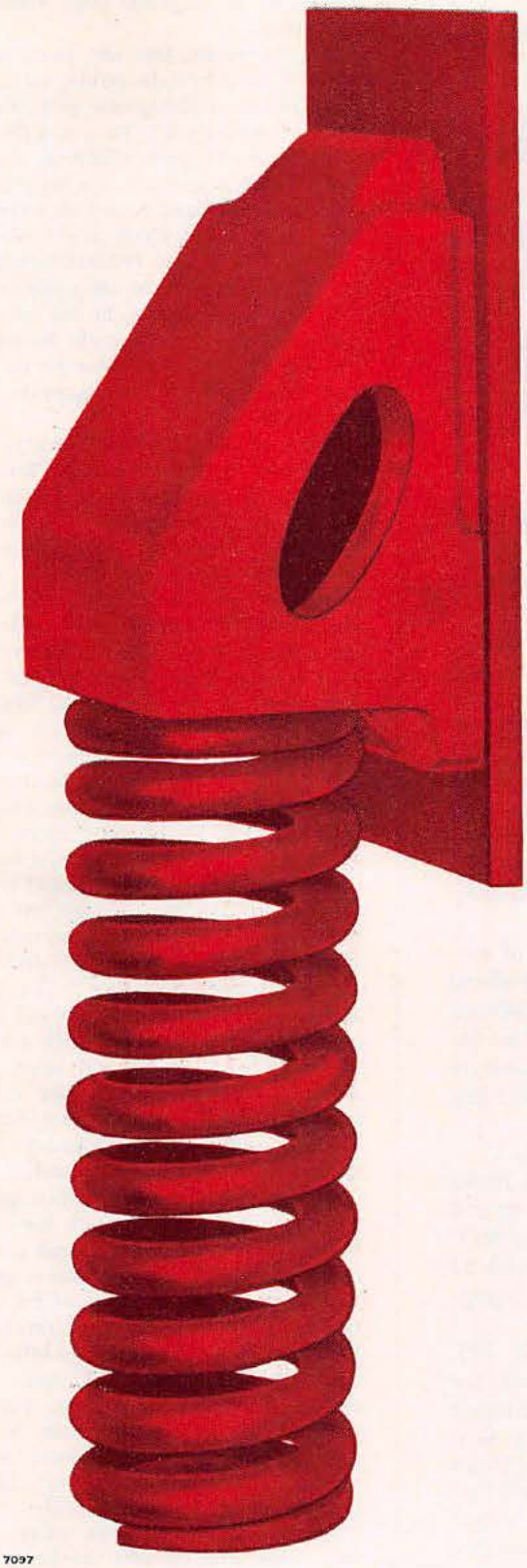
The situation as it involved other railroads might best be described as a mixed bag. After RI's bankruptcy filing, top representatives of competing and connecting roads met with ICC representatives and then went home to work out, on more-or-less regional bases, what might be done to continue essential service to RI points and RI customers. To perhaps a surprising extent, those roads appeared able to agree on which could do the job best for most points. But there were also indications that some roads preferred an ICC order based more on its conditional approval in the Rock Island/Union Pacific merger case, plus or minus, and less on arrangements which might now be worked out and which would not necessarily follow the RI/UP ruling.

What happened to Rock Island, and why was all this travail necessary? Two things happened: (1) The United States Railway Association turned RI down on loan applications for up to $100 million, saying that the Rock had not given sufficient evidence of ability to repay; and (2) RI's new management underestimated the effects of the recession, as almost everybody did, and thus had a too-bright assessment of what it might be able to do in a relatively short time. And so it was that John W. Ingram left his job as Federal Railroad Administrator last Nov. 1 to become president and chief executive officer of Rock Island, only to have to ask for court protection for the railroad less than five months later.

There were, of course, peripheral things happening while RI went down: Union Pacific turned away from merger; USRA found Katy more competent to handle a loan and gave preliminary approval to $19 million for a road that, not so long ago, many figured to be the leading candidate for bankruptcy in the West. Always, of course, there was the condition of Rock Island itself: it had, in fact, been undermaintained, its rate structure had come under question in certain areas, its people may have thought too much for too long about the "pending" merger with UP.

Of course, too, there were considerations which were substantially different from those involved in Penn Central's bankruptcy. PC covers the northeast, and without PC there would be no rail service to a great number of points (whether they really need it or not). Rock Island, on the other hand, is just one of several overbuilt midwestern railroads, and the quoted rule is that about 80% of what RI does could be done by other roads; there have even been suggestions that trucks, in substituted service or otherwise, could do a fair-sized part of RI's job.

Certainly, there are and will be questions as to whether the previous top management of the road did all it might have done to avoid what's happening—but those questions will not get dependable answers for a while. And, while the new management found ways to cut costs, and was working on ways to increase revenues, it ran out of time quickly, and it may never



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SLEEPING GIANTS

Over the past few weeks, the nation's newspapers have devoted their transportation coverage—such as it is—to three crucial developments in American railroading:

—Release of the U.S. Railway Association's preliminary systems plan for restructuring the bankrupt railroads of the Northeast and Midwest.

—Efforts to bankroll the chronically ill Penn Central for a few more months.

—And the recent demise of the Rock Island as a viable road.

This is as it should be, since each of these events is pivotal in the history of American railroading. Not only do they provide the closing chapters in the story of the old order, the romantic and sometimes even swashbuckling story of free enterprise railroading; they are also at least the table of contents for the new order, where—to a greater and greater degree—Uncle Sam will, of course, be wearing the engineer's hat.

On the other hand, journalism's focus on what has already happened obscures the fact that Congress is much like the New Testament field, where much seed is scattered that, for one reason or another, does not take hold and bear fruit. Consquently, some of what has been routinely occurring in Congress—the introduction of new rail-related legislation—deserves a quick study not only for its specific content, but for what it indicates about the way legislators are looking at railroads.

One problem getting a lot of attention is the condition of rail trackage. Rep. Les Aspin (D-Wis.) has proposed setting up a Federal corporation that would take over, rebuild, and maintain railroad rights of way. Aspin's bill, HR 4365, calls for establishment of an Interstate Railroad Corporation to identify and ultimately maintain essential trackage. Connecticut's Republican Sen. Lowell Weicker has offered a similar measure (S.1143).

Two more Republicans—Sen. James Buckley of New York (a Conservative generally counted as a Republican) and Rep. H. John Heinz of Pennsylvania—have proposed legislation to cut unemployment and upgrade rail roadbeds. Heart of the legislation is provision of $500 million to hire the unemployed to work on railroad upgrading, with $2 billion in 3% loans available to railroads to buy the necessary equipment and materials.

Senator Hubert Humphrey (D-Minn.) has introduced S. 793, another measure aimed at upgrading roadbeds, which calls for establishment of a $500-million-a-year rail trust fund, financed through a 1% surcharge on all cargoes. Illinois Republican Sen. Charles Percy, in his S. 636, urges an end to the Highway Trust Fund and use of the fund's money for all transportation modes. S. 863, introduced by Republican Senator James Pearson of Kansas, would provide $100 million a year for eight years to subsidize unprofitable trackage considered necessary. The Pearson measure would also increase the Federal share of subsidy cost to 70%.

Finally, Rep. Brock Adams (D-Wash.) has indicated he plans to work on two measures. One would be an updating of the Surface Transportation Act, which Adams hopes to get out of the Senate; the other would be a measure to maintain the rail sysem until a comprehensive national transportation plan can be adopted.

Over-all, the legislation—even if most of it gets nowhere—reveals a pattern of consideration of two critical ideas: railroads are necessary, and they have to be part of a cohesive integrated national transportation structure.

be known if the grand plan would have succeeded.

At the outset, late last year, Ingram seemed confident. In public statements, he talked about fixing—not patching—the railroad. He looked to the use of the $100-million loan through USRA as a starter for a much bigger job. He regarded the $100 million as seed money for a complete rehabilitation job which might cost close to $800 million. He brought new people into top echelons—and obviously he must have convinced them as he had convinced himself that the Rock could be made to fly. But, with the turndown on the loan, and with the effects of the recession, it flew like a rock.

Then, when things began looking worse than ever, there was actually little talk about filing a reorganization petition under Section 77 of the Federal Bankruptcy Act. That, it was said, wouldn't do much good, because Rock Island wasn't overloaded with debt; it simply faced a cash problem, and trustees in bankruptcy wouldn't be able to do all that much to keep the road going. But in the end, there apparently was no alternative to filing.

Missing in all this, and it seemed somewhat strange, were public statements from such as stockholders, bondholders, day-to-day creditors, or even employee organizations. To be sure, there was a momentary flap regarding a fuel supplier which wanted to be sure it would be paid for fuel used in RI's Chicago commuter-service operations. To be sure, too, there was a not-good scene when RI decided to ask its employees to take a 10% cut/loan and word of the decision got out before anybody had a chance to talk with top union leaders. But by and large, those most directly affected by the collapse seemed remarkably quiet, including the 10,000-plus employees who had no way of knowing what might happen next.

(And, while roads in the West gave an appearance of trying to pull together in the RI affair, Milwaukee Road ran into controversy in the East with its strong bid to acquire the western lines of Penn Central's Philadelphia, Baltimore & Washington which would give Milwaukee entry to Pittsburgh, Columbus, Cincinnati, Indianapolis and St. Louis as well as an additional route between Chicago and Louisville. Solvent lines in the Northeast responded to the bid quickly, and definitely negatively.)

As deadlines on RI drew nearer, there were some who thought the Rock could somehow come through intact—but they were in a minority. Most of the hard money was on a breakup of some kind, at some point. And some people gave a moment of thought to that old folk song which calls the Rock Island Line a "mighty good road" but which also says something else: "Gotta ride it like you find it." In recent years, RI property has been deteriorating, and "like you find it" hasn't been good. Somewhere down the line, finding it at all could be a tough job.

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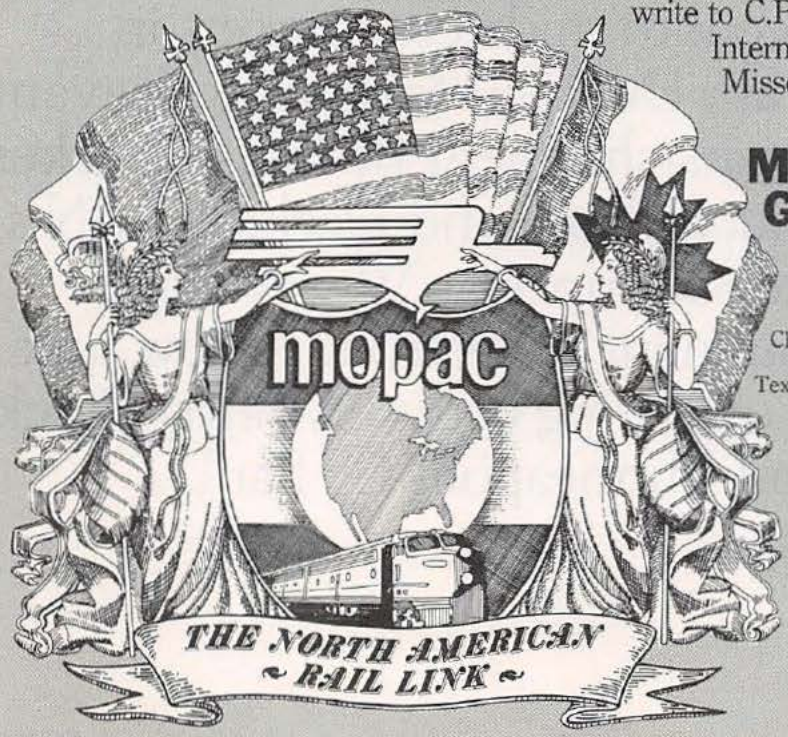

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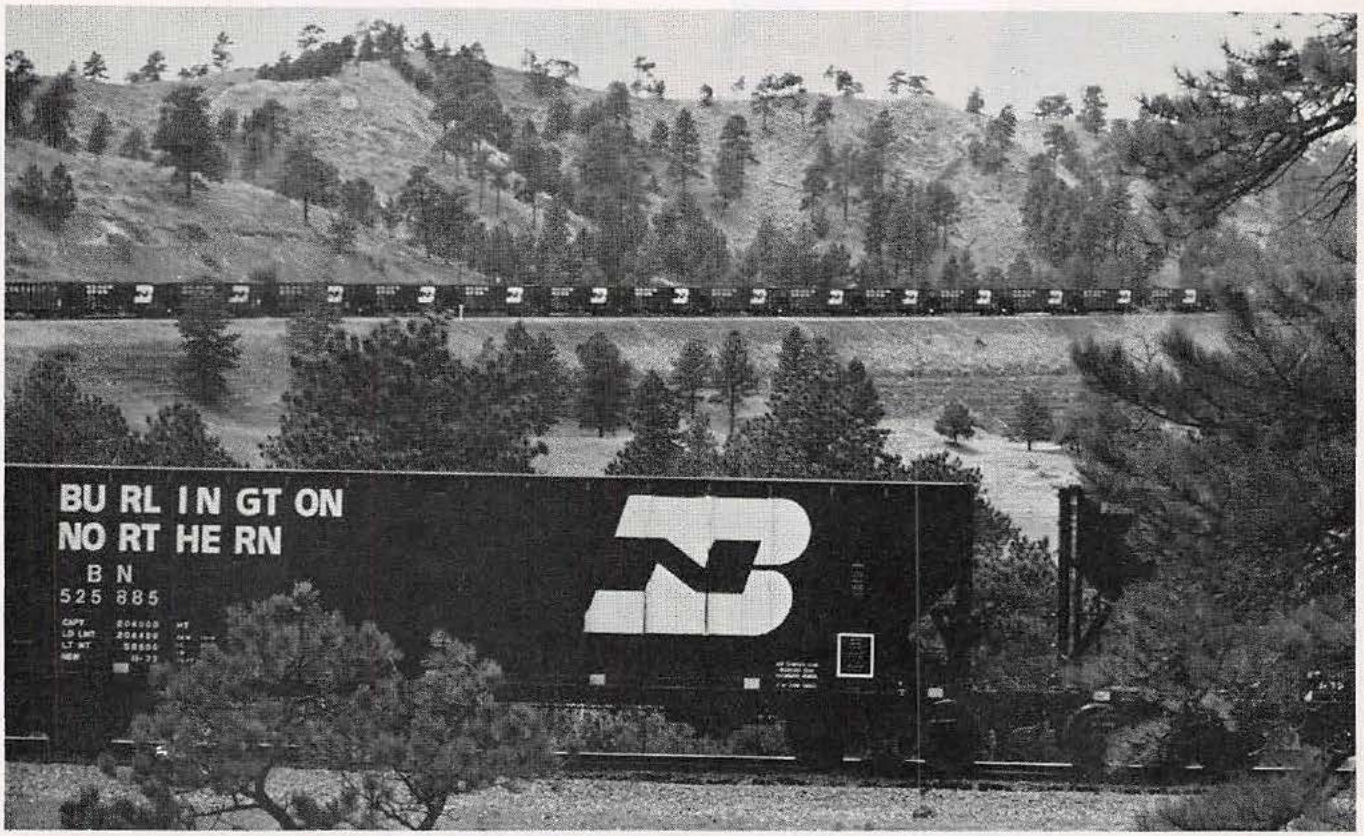
more and more big coal moves east in



Right now there are Burlington Northern unit coal trains moving increasing amounts of Western coal to midwest markets in Greenville cars: Decker, Montana to Havana, Illinois for trans-shipment by barge; Decker to Hammond, Indiana and Decker to BN's Allouez docks at Superior, Wisconsin for lake boat shipment to Detroit. A new unit coal train is operating between Sarpy Creek, Montana and Minneapolis-St. Paul.
There's more...
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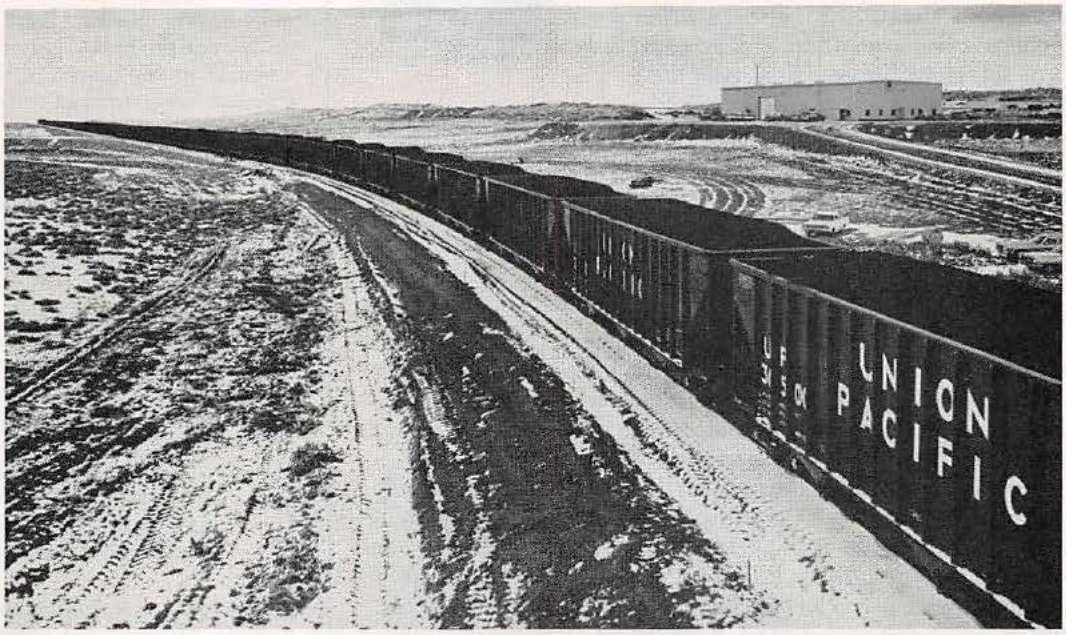
Greenville cars



This train of Greenville cars rolling across Wyoming* is typical of things to come. Coal is moving from the West and Greenville's ready to help move it with the car designs needed for this rugged, high-mileage service . . . aluminum or steel; riveted or welded; high-sided gondolas, rotary or bottom dump . . . you name it.

Greenville has a wealth of information about big coal train movements, developed from millions of miles of unit train operation with our own leased cars. East or West, if coal traffic's important to you, be sure to talk to us early about your needs.

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Circle 11 on Reader Service Card

Lines on Labor

GUS WELTY

QUESTIONS DESERVE. . .

The late Harold Ross, who founded and for many years edited *The New Yorker,* firmly believed that "Nobody gives a damn about a writer or his problems except another writer," and Ross was probably right. Nevertheless, people do occasionally ask questions about what it's like to be a reporter or writer for a publication with a management audience —but one which feels an obligation (1) to report rather fully on management/labor affairs, while (2) giving a fair shake to the views of both sides.

. . .MORE-OR-LESS SERIOUS ANSWERS. . .

So, on to some of the questions that sometimes come up. Will labor people level with you? Sure. Why shouldn't they? They know, or most of them do by now, that we're straight. Do they confide in you? Yes, some of them do. Those that have confided have never been on record as regretting it. But aren't labor leaders sort of crude people, as compared with your average business executive? Hardly. But do they really know anything about business? Certainly. There are no rail unions in bankruptcy. How long does it take to get the confidence of labor people? Not long. All you have to do is play it on the square. Do labor people ever object to what you write? Sure. So do management people. Why should a management-oriented publication bother with labor coverage? Brother, when you're covering an industry that spends half or more of every revenue dollar on labor, you'd better pay attention to labor and to what labor people are thinking. Is anybody in labor angry with you right now? Probably. Is anybody in management angry with you right now? Probably. What does this mean to you? Probably, it means that you can't please all the people all the time. Has anybody ever threatened you? Once, years ago, in a strike-coverage situation involving a non-rail union. What did you do? Panicked. Got a gun permit. Never used it. The pen is mightier than the Colt.

AND SERIOUS QUESTIONS NEED SERIOUS ANSWERS

Now, on to more serious matters. Are labor's leaders responsible people? Yes, almost without exception. But their jobs depend upon their being re-elected, don't they? Right. And doesn't that mean that they have to keep extorting more and more in new contracts? Sometimes it does. Well, then, do labor's leaders realize the problems the industry has? Not totally. But to a great extent, yes. Do labor's leaders have any real interest in helping the industry? They do. Go back and re-read the interview with UTU's Al Chesser in the Nov. 11, 1974, Railway Age. Look for the conversation with the Signalmen's Chuck Chamberlain, who is also chairman of the Railway Labor Executives' Association, in the next issue. Can labor help with the industry's problems, and will it? Yes. Cooperation will increase as understanding increases, as trust increases. But will understanding and trust increase? They should. Management and labor are becoming more open with each other. They're talking. They're getting things settled. But don't disasters such as Penn Central and now Rock Island turn union people off? Not necessarily, not unless union people think they're being had. The record seems to show that where union leaders have been clued-in, on the property and at headquarters, they have tried to work with management. But don't try to con them or run around them. Are you hopeful about rules reform? Yes. Are you optimistic generally about management/labor relations? Yes. But what has to be done so that everybody really does pull together? More.

DOT backs capital grants for Amtrak

The Department of Transportation has now sent to Congress the Amtrak Improvement Act of 1975—and it calls for direct Federal grants totaling $465 million for a four-year capital improvement program, covering both roadway and rolling stock. In the past, Amtrak has been required to finance capital improvements through Federally-guaranteed loans.

The capital grants would be in addition to operating subsidies which, by DOT's estimate, will amount to $315 million in fiscal 1976 and rise to $330 million by 1979. Altogether, the four-year Amtrak package proposed by the Ford Administration would cost around $2 billion.

The decision to go for a four-year rather than a one-year authorization stems from the Administration's desire to "ensure a financially stable, efficient and service-oriented intercity rail passenger operation," Asaph H. Hall, acting head of the Federal Railroad Administration, told a Congressional committee March 11.

"Since the inception of service by Amtrak on May 1, 1971, the development and promotion of rail passenger service has been hampered by the failure of a long-term authorization," said Hall. "The uncertainties inherent in an annual authorization process have resulted for the most part in piecemeal, short-term planning."

Hall told the committee that Amtrak "has made major progress toward fulfilling the original intent of the [Rail Passenger Service] Act. A national rail passenger system is in place. New equipment is now entering the system, and the consumer has (or soon will have) the choice of rail transportation in all major markets. Now that this initial phase is completed, a more permanent basis of providing Federal support to the corporation is needed as the basis for continued development and improvement of the system."

In addition to its funding provisions, the new Act would:

—Terminate the requirement for the Secretary of Transportation to designate experimental routes, and give the corporation the authority to determine whether services should be continued on experimental routes already designated, after two years of operation.

—Terminate the ICC's authority over train discontinuances, and revise the role of the ICC in establishing service standards to one of "oversight" with annual recommendations to Congress, the corporation and the DOT secretary.

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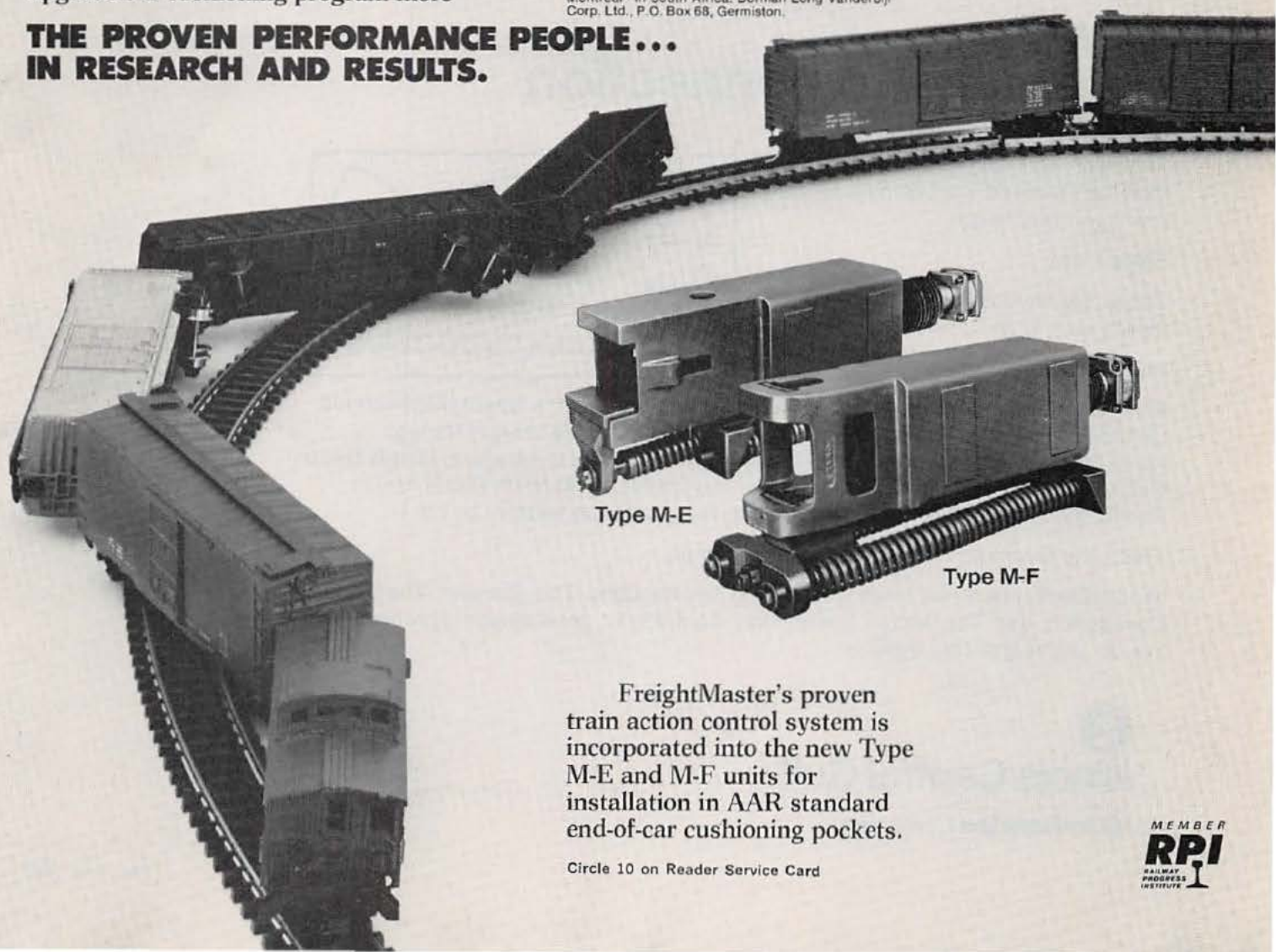

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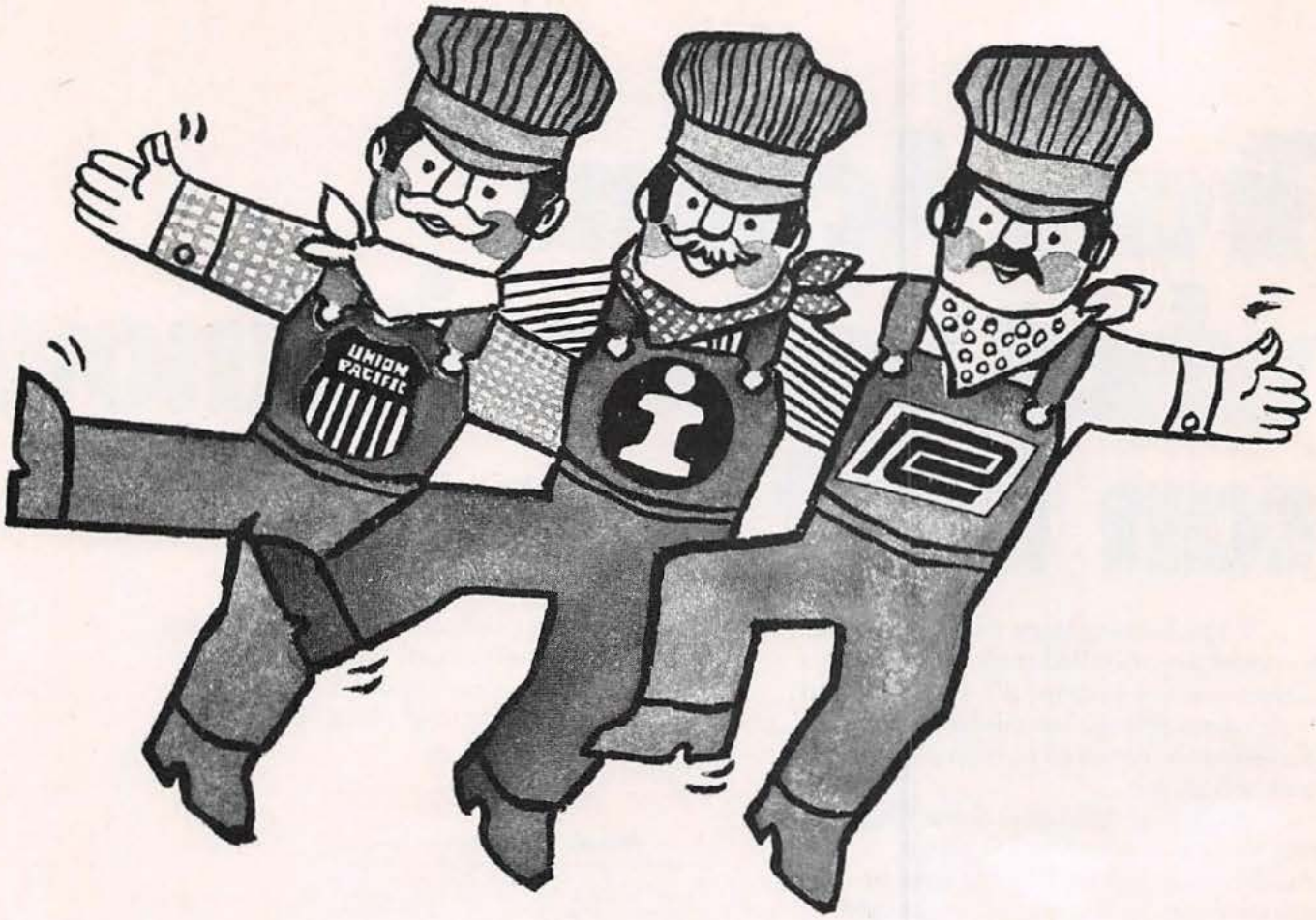

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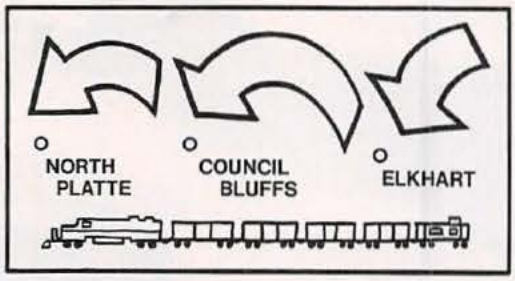

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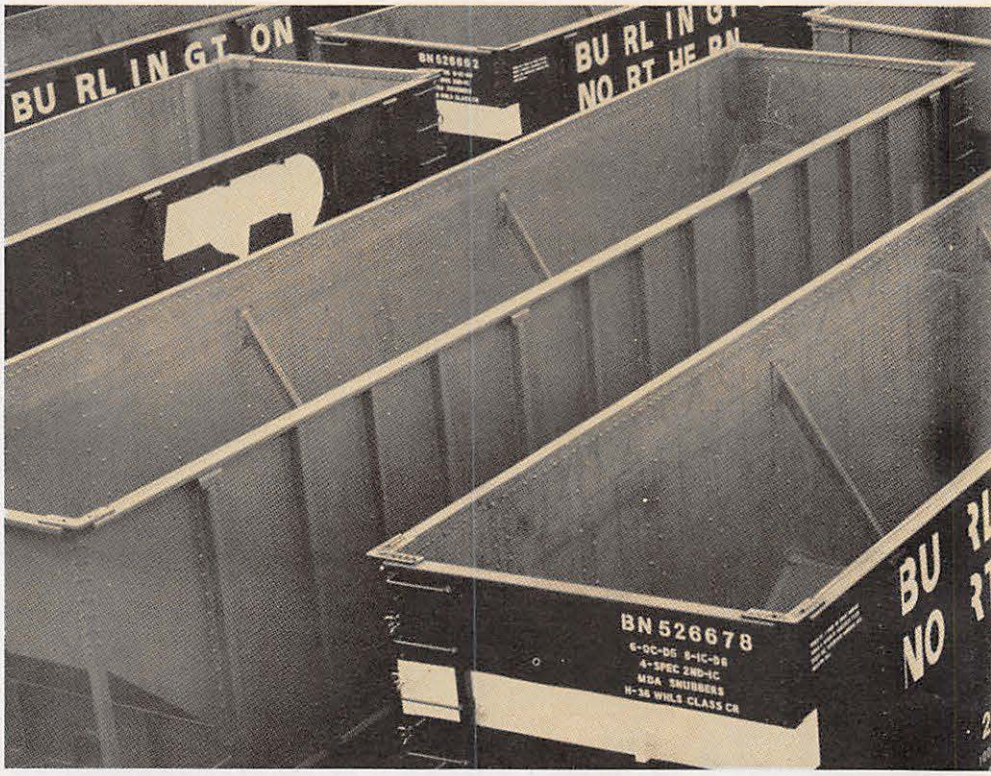
Circle 9 on Reader Service Card

Car supply: What a difference a

By GUS WELTY, Senior Editor



When upwards of 70,000 freight cars are in storage—as they have been in recent economically-disastrous weeks—the phrases "car supply" and "car utilization" have a hollow ring.

Comments around the industry range from the wistful to the sardonic to the borderline-desperate. From a railroad public relations officer: "The way things are going, I'd give $100 to be able to pick up the phone and hear some reporter asking about a car shortage." From an operating man: "I hope the ICC is satisfied that we have enough box cars to meet current demand—since more than half of the cars in storage are boxes." From a 30-year veteran whose company has been able to weather all past economic storms in relatively good shape: "I've never seen things so bad."

Well, things *are* bad. But, bad as they are, that should not be allowed to obscure the fact that over the past several years, rail/roads—individually and collectively—have made substantial progress in putting equipment assets to better and more productive use. No good operating vice president is ever satisfied: As such VPOs as Santa Fe's Larry Cena are prone to point out, utilization *is* still relatively low. But, the situation is improving—partly because of infusion of money but perhaps in larger part because of better planning, coordination and control.

● **Then '74, now '75.** First, compare the actual situation today with what it was a year ago, just for the sake of context.

On March 31, 1974, railroads closed out the busiest first-quarter ever. The ton-mile figure, 216 billion, was 6.2% above the figure for the first-quarter 1973. It represented the highest first-quarter traffic volume on record. Today, railroads are closing out one of the worst first-quarters on record, with ton-mile figures that have been running about 11% under 1974 and with the industry as a whole expected to have a bottom-line financial figure etched in red. Yard tracks and sidings all across the country have been turned into long, narrow parking lots for freight cars.

In the meantime, peculiar things have been happening in the freight-car market. For one, perhaps amazingly, the backlog of cars on order and undelivered has not gone into a tailspin, at least not yet. There have been cancellations, to be sure, but there have also been new orders and a late check with one major builder indicates that buyer inquiries are still coming in. At the same time, there have been marked shifts in what is being ordered: For most car types, there's not a lot of difference between numbers of cars actually placed in service in 1974 and cars ordered in '74 mostly for delivery this year—but '74 new-orders for gondolas were more than four times the delivery total and orders for open-top hopper cars (including company-shop orders) were more than three times the delivery total.

Naturally, with business off so much, current figures on car utilization have been knocked slightly cockeyed. But, in measuring what railroads can do—and would be doing if business were better—it's useful to look at the record for the boom periods of last year.

● **What the yardsticks show.** No single figure is a total measure of car-use efficiency, but three in particular have a broad bearing: Net ton-miles per serviceable-car-day, car-miles per serviceable-car-day, and the ratio of loaded car-miles to total car-miles.

—During the record-volume first-quarter of last year, net ton-miles per serviceable-car-day hit a record 1,684, up 8% from first-quarter '73 and up 4% from the record high of 1,621 for full-year '73. Then came the second-quarter, with volume again setting a record for the period and with the ntm/scd figure also at a record high of 1,717. Third quarter? That ntm/scd figure was still running ahead of year-earlier totals. In fourth-quarter '74, the real effects of the economic slump began to be felt and the figures reflected it: For the full year, the industry did reach a new record high of 1,645 net ton-miles per serviceable-car-day; but the improvement was far less than might have been expected on the basis of performance earlier in '74.

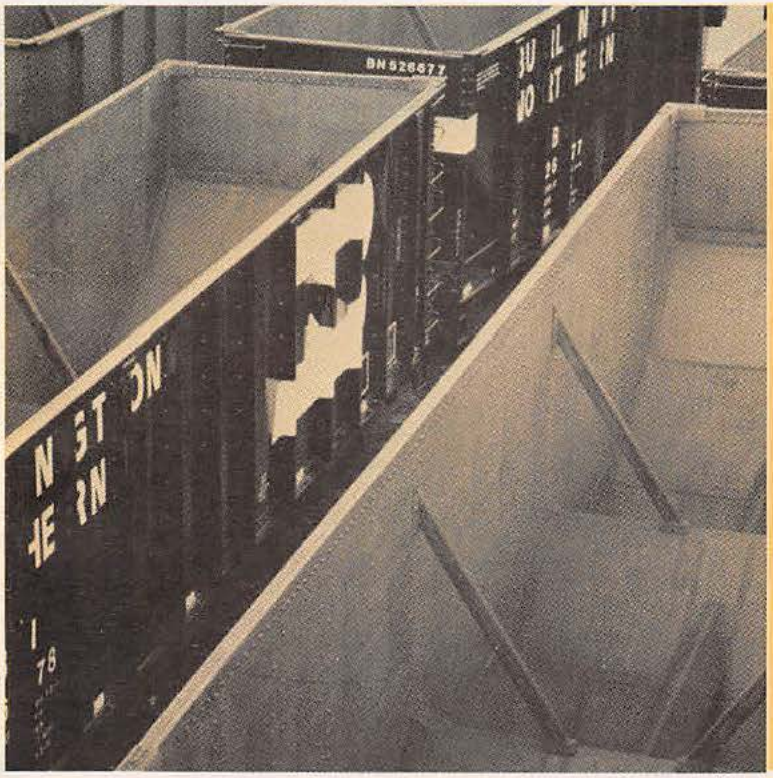
—On the car-miles per serviceable-car-day scale, performance was better than in '73 in the first-quarter, about the same in the second-quarter, better again in the third-quarter. But when fourth-quarter statistics were stirred in, railroads actually came out of full-year '74 on the down-side, 57.4 car-miles per serviceable-car-day as compared with 57.7 in 1973.

—For three-quarters of last year, the ratio of loaded car-miles to total car-miles was also running ahead of the '73 percentage, but again the fourth-quarter killed off any full-year improvement: The ratio dropped from 57.7% in 1973 to 57.2% (though increases in one-way-loaded unit-train operations undoubtedly played a part in this, along with economic difficulties).

What do all these figures indicate? Obviously, they indicate that performance can be improved, albeit slowly. Even taken alone, they indicate that railroads work well under volume pressures. And, they indicate that further performance gains are only a matter of time—time, plus economic recovery, plus broad-gauge action programs, plus individual efforts which may seem small in themselves but which do contribute to industry progress.

● **New moves—collective and individual.** Two factors come into play when you look at industry expectations for further improvement in equipment utilization. One has to do with what's

year makes



The changing freight car market

	1974 Orders	% of Total	1974 Deliveries	% of Total
Box	15,146	16%	15,373	23%
Flat	9,205	10%	8,931	13%
Gondola	9,987	11%	2,126	3%
Hopper	25,746	28%	7,323	11%
Covered hopper	15,918	17%	16,997	26%
Refrigerator	2,660	3%	3,568	5%
Tank	10,250	11%	10,422	16%
Caboose	339	—	240	1%
Other	3,771	4%	1,201	2%
Total	**93,022**		**66,181**	

OPEN-TOPS are the hottest items on the market today. They accounted for more than a third of all cars ordered in '74. Left: A new batch of coal hoppers which Pullman is building for BN.

being done at the industry level, the other has to do with changes on individual roads.

On an industry basis, there's TRAIN II, scheduled to become operational May 15. There's Railbox, already working. There's the railroad/labor/government joint project aimed at improving terminal operations and centering on Missouri Pacific's St. Louis Terminal Division. There's the MoPac/Milwaukee/Southern freight-car "clearinghouse" experiment. And, there's the long-range multimillion-dollar car utilization study which AAR President Stephen Ailes says "will go beyond all of the other projects to search for answers to car-utilization problems."

Of these specific projects, the one with the most immediate and wide-ranging effect may be TRAIN II, which, it's hoped, will make it possible for the industry to make more than painfully slow progress in making better use out of assets that cost more and more to acquire. In itself, the existence of TRAIN—for TeleRail Automated Information Network—is an indication of how serious railroads are about improving utilization: Not so many years ago, this kind of AAR involvement in operations would have been looked at with the same lack of enthusiasm as government involvement; but in the past few years, perhaps because of the threat of greater government involvement, TRAIN has been looked upon as the way to go and its progress has been steady.

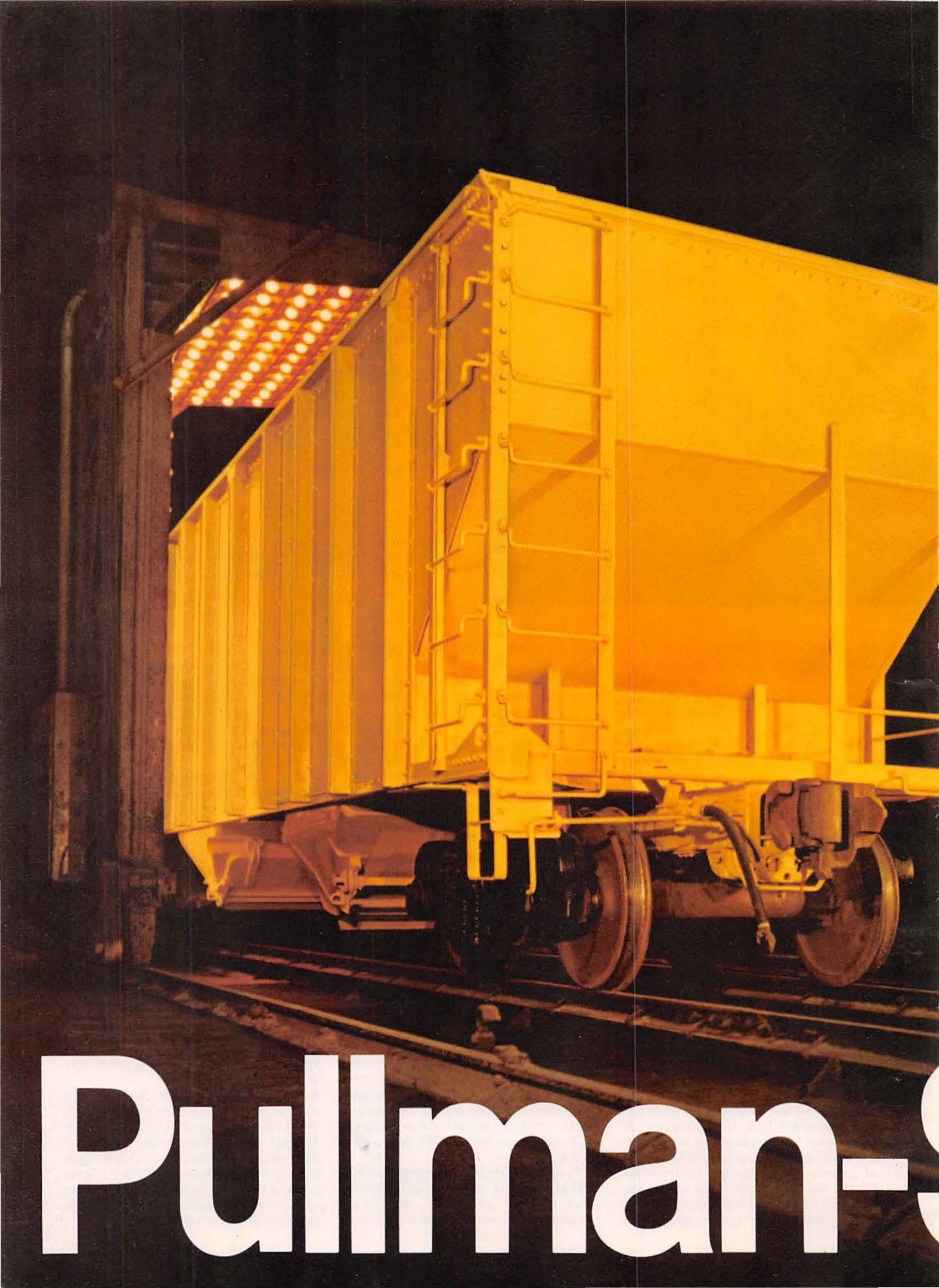
Final design and specifications were wrapped up last April, AAR installed an IBM 370/158 computer in May, existing TRAIN programs were converted to the new computer in August, the installation of the required high-speed communications network and its associated terminal equipment began in November. Work on TRAIN II was largely an AAR Management Systems Department effort, but the Car Service Division was deeply involved; for CSD, for example, microfiche viewers and printers were installed so there would be no need for bulky computer printouts of biweekly statistical reports. In addition, AAR has been working to set up a car control center, with regional car supervisors who will use TRAIN II output to analyze car inventory for each of 15 areas in the U.S. and Canada.

● **More from TRAIN.** While TRAIN II has been in the making, however, the initial TRAIN operation has been working harder. Input reporting went up by about 20% last year and at yearend averaged something like 320,000 transactions per day. Optional output service also grew, to an average of more than 100,000 records per day. Junction data reached almost three million reports per month, and a no-bill/over-bill clearinghouse system had output 25% above 1973 levels.

What is TRAIN II supposed to do? Put most simply, it is supposed to provide "a much broader and more timely information base concerning car movements, location, status and demands"—a base which, presumably, will enable individual roads to make the moves which will get empties where they're needed when they're needed, the moves which will produce improvement from the current 58% ratio of loaded car-miles to total car-miles.

For the long-haul, however, improvement in car use requires a lot more analysis—and AAR has moved in precisely this direction in its comprehensive research/action program. As former Penn Central Vice President-Staff James A. McDonald noted, "That the AAR program will extend over a period of eight years should come as no surprise to those who know about the complexity of the subject matter—because it has been said, wisely, that for every large and enormously complicated problem there is a simple, straightforward and immediate solution, and it is wrong." Still, McDonald said, the program—which depends for its success upon the cooperation of shippers, government agencies and others—"*is* oriented to produce front-end results."

● **New programs help.** So much for what's happening at the industry level. What has been happening down at the individual-carrier level, where individual decisions and the data they're based upon mean so much? Quite a bit. What follows is just a sampling, because virtually every major road has made moves over the past year to improve car utilization: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Standard

—Burlington Northern began compiling a car-use report showing the number of empty car-days per load by car groups within each of BN's six regions. Information in the report makes up a part of the over-all measurement of performance of a region's car-distribution organization and gives a check on the utilization of each car group throughout the system.

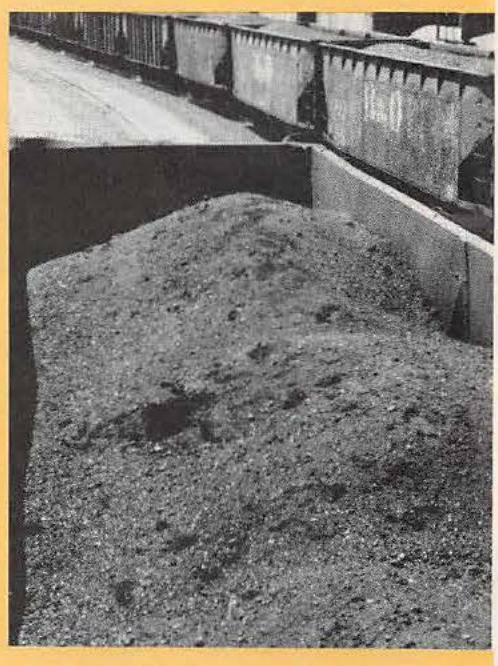
—Rio Grande went into programming to computerize several facets of car utilization in an upgraded computer system. The computer programs were designed to replace operations under the former system which required manual review and interpretation. Earlier, D&RGW implemented a new inventory control program aimed at getting better use out of the most-needed types of cars. Essentially, the program was developed to provide faster location data on Rio Grande-owned or -controlled cars at offline points and to set up ways and means to maximize loaded return moves.

—Seaboard Coast Line and Louisville & Nashville dedicated 24,000 box cars and 14,000 covered hopper cars to an interchange program enabling each line to use the other's cars in common with its own. This did not represent a combining of car fleets, but rather an adaptation of the "clearinghouse" experiment of Mo-Pac/Milwaukee/Southern—and the payoff was in improved availability of equipment as well as in a reduction in empty-car miles on equipment moving between the two roads. L&N also instituted a computer program which gives the car utilization bureau a daily printout listing initial loaded movement of all box cars, gondolas, flat cars and SCL covered hopper cars terminating online. Computer-provided cards on each movement are used in advising destination agents as to empty-car disposition. Benefits? L&N sees three: The system establishes central control in allocating release of empties; it makes it possible for empties to be distributed in a way that recognizes commodity-last-loaded; and it gives the destination agent advance information on inbound loads, thus speeding up prompt movement of empty releases. Meanwhile, SCL began using computers to automatically prepare interchange reports among the Family Lines and programmed for a daily printout on cars delayed at any point online.

—Norfolk & Western continued to work on a five-year plan, begun in 1972, to computerize distribution of merchandise cars. Projects covering acceptance and assignment of merchandise cars went into daily operation last year, and NW is also getting a computerized report which measures the effect of the total computer package on reducing empty-car-miles and non-productive car-days per load. As of the first of this year, the road was still working on implementing a program to furnish computerized disposition data to yards and terminals, but the program went to work on two regions late in 1974 and systemwide implementation was scheduled for spring of '75.

—Kansas City Southern developed a program in which a car is monitored from date of assignment to a loading point until it reaches its destination and makes

Freight-car market loads up on coal



It may be love that makes the world go 'round—but it's something considerably more mundane that makes the world of the carbuilder a lovelier place in which to live. That something is coal.

Figures on the 1974 car market give some indication of what's happening: Out of more than 66,000 cars delivered last year, less than 10,000 were open-tops; but out of about 93,000 cars ordered last year, more than 35,000 were open-top hopper cars or gondolas; and as of Jan. 1, 1975, the backlog of almost 91,000 cars included about 39,000 open-tops, or approximately 43% of the total—a percentage which Stanley Brown, vice president-marketing of Pullman-Standard, believes "could well prevail for at least the next few years."

Wherever you go, east or west, railroad traffic officers are bullish about coal's prospects, and well they should be: Coal-production forecasts may come up with different figures, but the figures all point to a tremendous growth in coal output.

For example, there are these 10-year projections: From the National Petroleum Council, slightly more than one billion tons in 1985; from the Department of the Interior, one billion tons; from the Center of Strategic and International Studies at Georgetown University for the Atomic Energy Commission, almost 1.1 billion tons; from Shell Oil, 940 million tons; from the U.S. Bureau of Mines, 920 million tons.

In addition, as Norfolk & Western Vice President-Coal and Ore Traffic Lawrence T. Forbes points out, "Project Independence" looks to production of 755 million tons in 1977 and 1.1 billion tons in '85 "if we do business as usual. But if we go into an accelerated development, the forecast is 976 million tons in 1977 and slightly more than two billion tons in 1985."

• **Mine it, move it.** What do these forecasts mean in terms of demand for coal-carrying railcars? Larry Forbes spelled it out at a recent conference on coal production and transportation, sponsored by Professional Lease Management, Inc., in San Francisco: "In 1974, approximately 65% of the coal produced in the United States, or about 388 million tons, moved by rail....If we take the most conservative forecast, that from the Bureau of Mines, in 1975 railroads will need 21,000 additional cars and by 1985 they will require 205,000 additional cars."

Who is going to acquire all these cars? Railroads, to some extent—and electric utilities, to a large extent.

On Burlington Northern, for instance, it is now expected that more than 20,000 100-ton cars will have to go into service by the end of 1980 if now-planned coal movements are to be carried out. Today, utilities own approximately 20% of the unit-train cars moving from BN origins —but, says Vice President-Market Development John H. Hertog, "by 1980 our customers should have their names on about 75% of the fleet. . .In other words, most of the new cars are expected to be purchased by receiving utilities rather than by rail carriers."

Those 1974 order/delivery figures show rather clearly what Hertog is talking about: In '74, one carbuilder delivered about 1,300 hopper cars to three utilities; but two builders got orders totaling more than 2,000 cars from eight utilities, mostly in the East but including three in the Midwest.

There are, of course, a couple of questions about the coal-carrying fleet of tomorrow—questions which remain largely unanswered. One has to do with the kind of performance that can be ex-

one loaded move. KCS also set in motion a program on surplus cars, with printout showing what cars are in excess supply, by car-type and area.

—Soo Line centralized distribution of open-top hopper cars and pulpwood gondolas. It also launched a program to monitor DF equipment, to determine where losses are occurring.

—Rock Island began generating a daily covered hopper car analysis showing the current-move status of all RI equipment and selected foreign and private cars. RI also redesigned its report system on specially-equipped cars.

—Frisco made a number of moves involving computer data, including one to eliminate excessive delay to cars set out for repair or cleaning.

—Illinois Central Gulf set up new controls aimed at coordinating the efforts of central-control and other supervisors to improve utilization of various types of equipment. Two examples: Box cars and covered hopper cars for grain loading, box cars for paper loading and unassigned DF cars; in each instance, cars can be used interchangeably, with the proper coordination. With the new setup, ICG indicates, utilization is improved, more car-orders can be filled and crosshauling of empties is being reduced.

● **Computers—and a lot more.** That *is* only a sample of what's going on, and it concentrates pretty much on help from the computer. Add to it, however, programs other major roads are developing. Add to it new arrangements for pre-blocking, for runthroughs, for power-pooling. Add to it the operation of new unit trains (which are only 50-50 on the loaded/empty scale but which, nevertheless, rack up tremendous utilization figures). What you come up with on the bottom line is a pretty good indication that the industry as a whole will come out of the recession in substantially better shape, in terms of car-efficiency, than it was in when it was sucked into the current economic mess.

Obviously, "better" is still not good enough. As ICC Chairman George M. Stafford has pointed out, piggyback cars and general-service box cars tend to move most efficiently with empty moves accounting for less than 40% of the total while covered hopper cars and open-tops may go 50-50 and certain other car-types move empty more than half the time (while, he also notes, regular-route motor common carriers of general commodities move with no load at all less than 5% of the time).

The problem—or, *one* problem—is that equipment utilization is not, never has been and maybe never will be 100% controllable by a railroad. Listen again to what James A. McDonald was saying when he was still with Penn Central—because it makes sense:

"Despite improvements, the utilization of rail equipment falls short of what has to be done if railroads are to meet the prospective demand for transportation while preserving their financial health. It's generally recognized that some of the elements affecting utilization are beyond the control of railroads by reason of regulation and traditional practices. Some factors are controllable by shippers, others depend upon the interaction and interface between shippers and carriers.

"A recent study indicates that the average freight car spends about 52% of its time in origin and destination terminals, including time in the possession of customers or awaiting placement or shipping orders; 32% of its time in intermediate terminals and interchange; and only about 16% of its time actually moving in trains. One inference to be drawn is that although improvements in car utilization can be obtained through faster over-the-road running—particularly on PC, where slow orders have been prevalent—the major improvement must take place in terminals, whether origin or destination or intermediate."

● **The makeup of utilization.** McDonald lists seven main factors bearing on utilization:

—High-quality service for loads in terms of dock-to-dock speed, reliability and frequency of service.

—Prompt and predictable supply of the right type of empties in the proper condition.

—An efficient online realtime information and control system covering movement of loads and empties, including ultimately the forecasting of loading requirements and a disciplined scheduling of the movement of empties.

—Rates and charges, including incentive and penalty features, and their influence upon

—The shipping pattern, in terms of seasonality and traffic balance by direction.

—Free-time allowance for loading and unloading, including the averaging of debits and credits, and the effect on car-days of tariff arrangements permitting diversions, circuitous routing, stop-off privileges, marriage rules and other related items.

(Continued on page 64)

pected from the equipment; another has to do with carbuilding capacity.

As Pullman-Standard's Stan Brown noted at the PLM conference, equipment in coal service seems to take more physical abuse than any other type of equipment; thus, frequent body repairs have been needed and, increasingly, systematic replacement programs have had to be developed. But, coal-carrying cars in the past, pre-unit-train days might travel 18,000 to 20,000 miles a year and their life expectancy, with frequent repairs, might be 35 to 45 years. Today, "we are in an entirely new environment. Ecological awareness and the ever-increasing demand for energy have mandated the use of low-sulphur western coal. Unit trains hauling coal from western origins will travel an average of 150,000 miles per year, half of these miles empty—which is really much harder on a car than traveling under load. This is incredible mileage." Brown is quick to point out that "fortunately, cars today are definitely better-engineered." At the same time, with relatively new cars piling up such tremendous annual-mileage figures, "the average life of coal-hauling cars in this accelerated service is yet to be determined."

● **The "capacity" question.** As to the builders' ability to build, that question, too, remains open. By Stan Brown's reckoning, the car-building industry has a current potential for turning out well over 80,000 cars a year, depending upon product mix. But "certain mitigating factors limit and, I'm afraid, will continue to limit the number of cars we can actually produce to a total of less than 70,000 annually. We have seen strikes, inclement weather, shortages of components and/or temporary breakdowns of manufacturing equipment reduce production to a figure under 60,000, even in good times." Further complicating the arithmetic, of course, is the fact that roughly 60,000 cars must be retired each year, as further repairs become uneconomical. Put the retirement figure alongside the production-capacity figures, and the conclusion seems obvious: Given things as they are today, net additions to the total car fleet won't be large and only a change in the product mix—that backlog increase in open-tops Brown referred to—will help in keeping pace with demand for coal-carrying equipment. Railroad shops? Certainly, their production will be a help, and it's already being switched over: Last year, company shops placed in service fewer than 2,700 cars and only 269 of these were hopper cars; but new company-shop orders added up to more than 12,000 cars and of these more than 9,300 were hopper cars to be built by Chessie System, Norfolk & Western and Santa Fe.

Can builders, both commercial shops and railroads, expand production facilities? Sure— but not without substantial investment. And, probably, not without development and implementation of a national energy policy that guarantees that coal won't be regarded as a somewhat homely but available "date" to be taken out when nothing more glamorous is available. Love makes the world go 'round? Coal will make the wheels go 'round. And sensible, consistent government policy will make coal go (see Viewpoint, page 68).

"Leveraged leasing is not the answer to every maiden railroad's prayer. But that should not be expected. It fits some purposes admirably, others not so well. . . ."

New freight cars: Lease — or buy?

By JOE ASHER

Leasing decisions used to be fairly simple ones. If a railroad had a good, hefty cash flow, it was cheaper to buy. If it didn't, it was better to lease.

Not any more. The calculations that enter into leasing decisions have gotten more complex than ever before. And the old either/or approach is gone for good.

Take leveraged leasing. Not so long ago, this was being hailed as a fantastic opportunity for railroads with medium or weak credits to acquire equipment at low interest rates. The angle here, of course, was that these railroads have little or no taxable income so they can't fully utilize the investment tax credit. If they pass along that ITC and accelerated depreciation to an equipment lessor, the lessor in turn gives back part of the benefit to the railroad in the form of a lower interest (really rental) rate.

• **Learning the rules.** Well, it has worked very well—much of the time. But there has been a learning curve for all concerned—lessors and lessees—and some pat notions about it have to be discarded.

First, the railroads learned that lessors don't necessarily *want* all those tax benefits. The banks, for example, shift in and out of the market, depending on the shelters they get elsewhere, primarily municipal bonds or foreign tax credits. If those shelters happen to be large, lease deals can and do get turned down—including attractive ones.

"Six months ago, we were scrambling for this business," says William H. Ruskaup, vice president and division executive at Chase Manhattan Bank. "Now, we're not. There are too many deals chasing the lease bucks that there are."

Second, the railroads, the lease packagers, *and* the banks learned that medium-to-weak credits make institutional lenders nervous. These lenders are the insurance companies or pension funds which put up the long portion of the debt on a 15-year lease. They're ready to look at a deal with a railroad boasting a strong credit rating—but those are not the roads that need leveraged lease deals desperately.

"Lenders don't want problems with roads they think are going to go bankrupt," says Peter K. Nevitt, president of First National Bank of Chicago's leasing affiliate, First Chicago Corp. "It's true you can repossess the equipment. But the cars depreciate fast at the front end, then plateau. There's a big risk of not getting your money out."

• **IRS takes a close look.** Third, the Internal Revenue Service has been putting leveraged lease deals under a microscope. The IRS intends to have detailed guidelines out sometime in the coming months. Although there is good reason to believe the Service would grandfather any existing practices they subsequently scratch, there has been a noticeable shying away already from clauses, or practices that they are questioning: Guaranteed purchase prices at the expiration of a lease; guarantees of a lessor's debt by the lessee (this is very open); delayed equity funding; tax indemnification clauses based solely on a ruling by the lessee's counsel, not IRS; "puts" to manufacturers who take back and recondition equipment at the expiration of a lease.

As one top railroad tax lawyer put it, "The Service is really questioning who takes the risks and who really *owns* the equipment. I don't think they are out to kill leveraged leasing as such."

And indeed, the leasing community is well aware of what IRS is up to. "We are cautious in structuring our transactions," says Tyler Glenn, executive vice president of Itel Leasing Corp., one of the major lease packagers. "The contracts are plain vanilla—no fancy stuff."

Robert L. Burke, senior vice president at Manufacturers Hanover Leasing Corp., says he will look at more railroad deals if the railroads make concessions on tax indemnification rulings (and also on price).

So leveraged leasing is evolving. It is not the answer to every maiden railroad's prayer. But that should not be expected. It fits some purposes admirably, others not so well.

One vital purpose it served was to get badly needed equipment to weaker credit railroads by means of the pooled credit of stronger roads, as in Railbox—the $250 million deal closed last year, which is the biggest single leveraged deal to date in

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A former associate editor of Railway Age, and subsequently a staff writer for Forbes Magazine, Joe Asher is now associate editor of Banking, which Simmons-Boardman publishes for the American Bankers Association.

The leveraged lease: Who, what—and why

Just how does a leveraged lease work? Peter S. Redfield, president of Itel Corp., described it this way in a talk he gave at Fordham University in New York March 11:

"Three parties are involved in a tax leveraged lease: the lessee, the user of the equipment; the provider of long term debt, usually an insurance company, which typically provides 75% of the funds; and the lessor, the owner of the equipment, who puts up only 25% of the funds and gets the ownership benefits. These principally are accelerated depreciation and the investment tax credit. That is the source of the lease's leverage. The lessor can cash out completely on his investment in one year because he is getting investment tax credit and accelerated depreciation on 100% of the cost of the equipment, while putting up only 25% of the money. As a result, he charges what amounts to a negative interest rate on his funds.

"For example, in a $10-million railroad equipment lease we underwrote recently, the lessor put up 20% of the funds, or $2 million. He receives no money from the lessee until the 15th year, and then only $1 million. But the lessor, on an after-tax discounted basis, was receiving a better than 16% return on his investment.

"Moreover, the lessor owns the equipment after the lease expires. And these residual values, in an inflationary economy, and particularly on standard equipment like transportation equipment, can be very substantial.

"More than 80% of all leased railroad equipment is leased in this way. The average lease term is 15 years. Yet, the government had to pass a law within the last five years requiring railroads to retire cars after 40 years of use. So—at least in theory—the lessor is going to receive ownership benefits from this equipment for as much as 25 years beyond the original lease."

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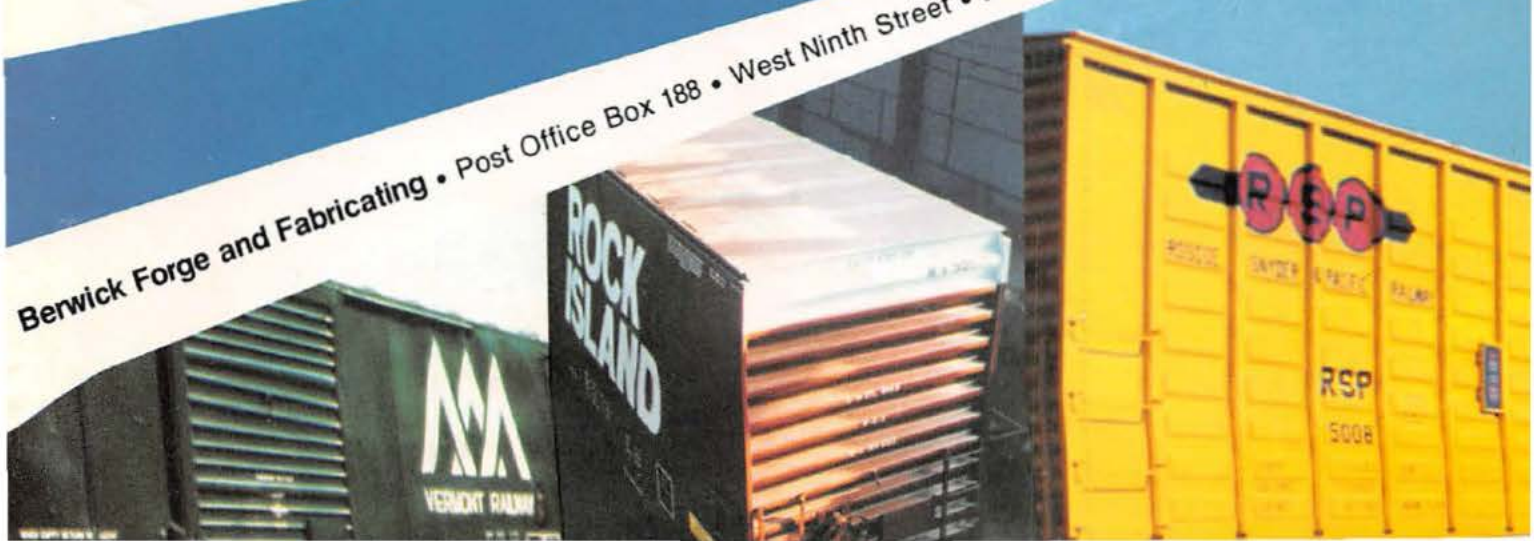

U.S. RAILWAY EQUIPMENT CO. has 24,000 cars in its leasing fleet—including this 50-ft, 70-ton RBL box which is on full service lease.

happening to industry across the board, not just railroads. And some industries, for example oil and gas companies, airlines, retailing and department store chains, and hotel and motel chains, all of them huge leasing customers, stand to lose more than the railroads.

In other words, if most or all industries are affected, nobody is affected. That seems to explain why Frost & Sullivan, the market research organization, quizzed equipment lessors and lessees alike on this very point, and found few who thought changes in accounting treatment would make much difference to their business.

It also helps to explain why it happens that when one bank passes up lease deals, lease packagers are so often able to find two others to take its place. According to Richard Walters, executive vice president of Greyhound Leasing Corp., and president of the American Assn. of Equipment Lessors, "Regional banks are getting more active in the field. And although it's an anomaly, it sometimes happens that they have more leasing funds available than money-center banks."

● **Negotiating the rates.** To be sure, there is pressure just now to raise lease rates. But there is always room for what may euphemistically be called negotiation. One banker puts it this way:

"Our leasing man says the residual is 30%. The railroad finance man says it should be 5% and says—I'll talk to the account officer, meaning the commercial lending man who has his account. What happens? You work out some figures in between. We tried to participate out one deal, and the client said no. Why? They wanted the lessor to be a quote friend unquote of their company."

● **The question of residual value.** The arguments go around and around about the residual values of cars that railroads give up at the end of a lease term.

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GE CREDIT put together the leveraged-lease deal under which Railbox is acquiring 10,000 cars from ACF, Pullman, Berwick, PC&F and FMC.

the railroad field.

General Electric Credit Corp. was a prime architect of that deal. And David E. DuVernay, manager of transportation financing at GE Credit, says, "Look at the history of Trailer Train. Their paper is seasoned, and they can now go to the market themselves. The same thing could eventually happen with Railbox."

● **Do strong roads need it?** DuVernay goes on to say he thinks this will be a good year for leveraged leasing, and adds, "We expect more railroads with strong credits to start leasing."

This may or may not happen. Some of the stronger credits have done leasing occasionally—Southern Pacific, Burlington Northern, Chessie and Santa Fe. But only occasionally. R.W. Harper, vice president-finance at Santa Fe, says, "Do the numbers. We have the ability to finance equipment without leasing. We are not contemplating any leasing in 1975—just equipment trust and conditional sales agreements. That's our present plan."

On the other hand, a renewal of the five-year amortization of rolling stock, track replacements and betterments, yards, and trailers and containers, plus a hike of the investment tax credit to 10% or 12% seem to have good chances in this year's tax bill. If they do, the stronger roads could well pile up tax credits to the point of carryovers, and turn to leasing as one more option. The tax counsel of one of the very top western roads has already called this "a good possibility."

Another reason for stronger roads to lean more toward leasing is alternate calls on their cash flow. Says First Chicago's Nevitt: "Some of the western roads have capital needs to develop natural resources they control."

● **No sign of weakness.** Still another point is leasing's greater respectability. Few will say so this baldly, but there was a long-standing feeling among railroads that leasing was somehow a sign of fiscal weakness.

This was ironic: Top-rated shippers were leasing specialized cars all the time and putting them on the rails. But leasing really got a new image when oil companies with triple-A ratings started making nine-figure lease deals. Today, there is hardly an industry anywhere in which lease deals are not common.

According to the American Association of Equipment Lessors, capital leasing for industry as a whole has been growing annually at 15% or more for over 15 years. At the end of 1973, leasing accounted for about 15% of capital equipment acquired annually. Within five years, the figure is expected to reach 20%, for a total volume of around $20 billion.

This is not to say that all railroads should be leasing all the time. It does mean that leasing options—not only leveraged, but others, too—are worth a close look from railroads as well as shippers.

That may not appear so urgent just now. With the cost of money down, equipment trust certificates—the premier financing instruments —have pride of place. But it's worth noting that long-term lenders are frowning on equipment trust paper going out 20 years or more, as in the past. Typical terms now run in the 15-year range or under, which serves to bunch up the debt a bit. And in that maturity range, interest rates have come down, but not nearly as fast or as far as on short-term securities.

There are other drawbacks. While the replacement cost of equipment soars, one Wall Street brokerage house estimated that equipment debt is now running at over 40% of total rail debt, and pushing higher. The conclusion: It's not a comfortable level.

● **The tradeoffs.** Admittedly, these factors are not powerful enough in themselves to dictate a switch to leasing. Leasing, after all, does not build up equity, which is a big thing to give up. But these are factors that count.

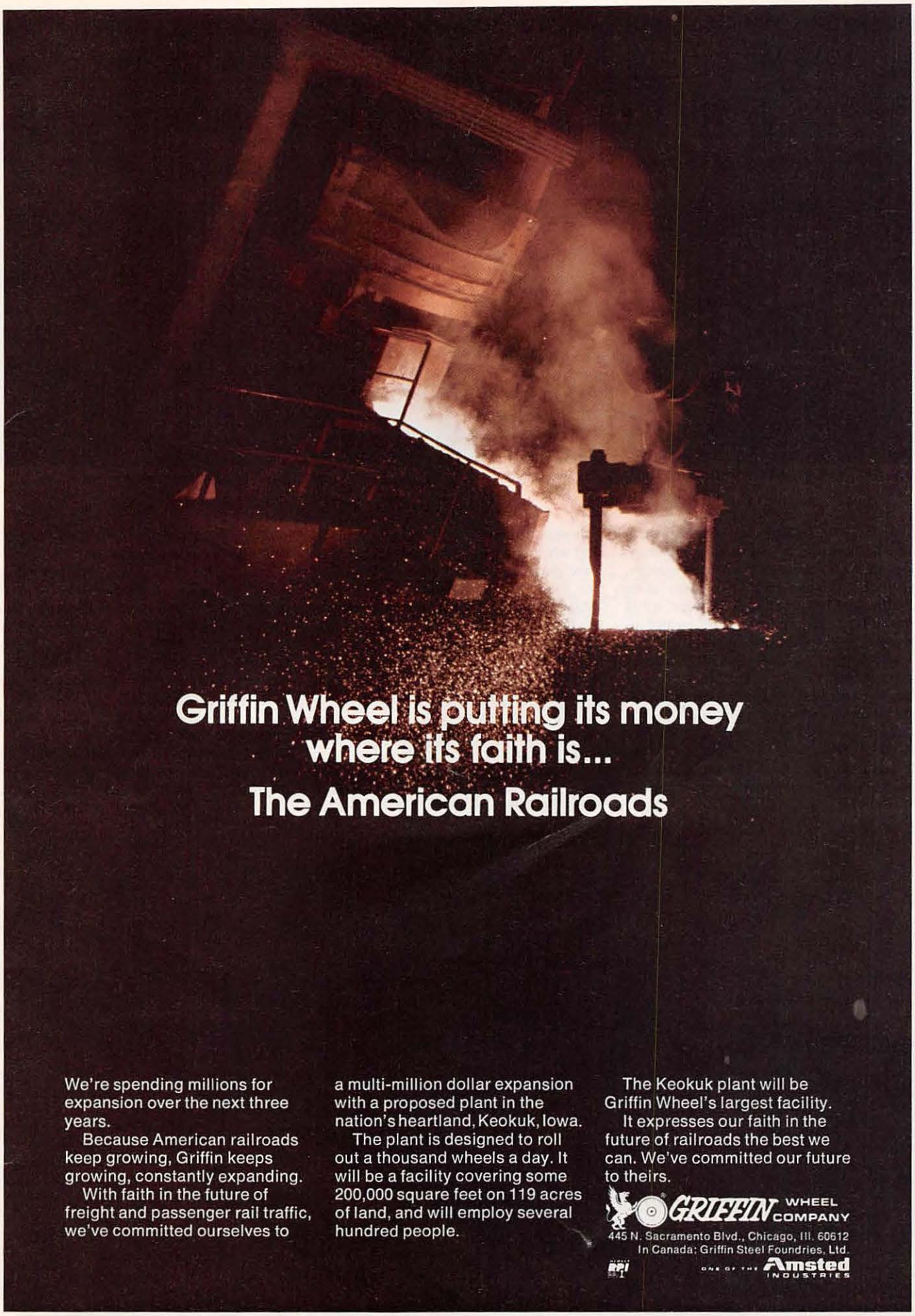
Another point of special importance today: The time value of money. Discounted cash flow analysis can sometimes show leasing to be the cheaper way to get the benefit of using the equipment—not doing without.

There is one tradeoff that could figure *against* leasing: Capitalizing leases on the balance sheet.

In the past, a big attraction of leasing was that it was off-the-balance sheet financing, and didn't disturb existing debt/equity ratios. But financial men cottoned to that quickly enough. Footnotes started appearing next to balance sheets, then the Financial Accounting Standards Board announced it would study proposals for more prominent disclosure, and now the SEC has put out the word that some way will have to be found to get lease agreements on the balance sheet.

In such a case, of course, debt/equity ratios would be very much disturbed. According to one estimate, capitalizing rail leases might push equipment debt up to around 50% of total rail debt.

But if that were to happen, it would be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Railroads, not surprisingly, feel strongly that the useful life of, say, a box car continues far longer than the lease term, and that they give up too much. Lessors, for their part, tend to say, like First Chicago's Nevitt, "This is in effect an equity kicker."

Another bank leasing specialist, himself an ex-railroad man, has a spicier rejoinder: "When I worked on the railroad and we turned a car back at the end of a lease, we always made sure to leave it in the worst possible condition."

The upshot of all this is that banks are more and more booking lease deals at zero residual values, and calculating their yields without the residuals. (A tremendous sag in the value of big jet planes, not rail equipment, as collateral, brought that on.)

Joe M. Nachbin, executive vice president at Continental Illinois Leasing Corp., says, "We tell a lessee what we require, and normally we're not that far apart."

This shows that the residual is not that crucial to a leasing decision. If leasing continues strong this year in spite of a dip in rail traffic, one reason may be that cited by Itel's Glenn: "In a recession, there's a requirement to preserve cash, and leasing can be of great assistance."

And Myron Christy, the former head of Western Pacific who now acts as a consultant to U.S. Leasing Corp., the big lease packager, says, "Our job is to overcome the psychological view that many railroad operating and mechanical men have of leasing, and show them that something can be said for it."

● **The full-service lease.** Meanwhile, the big leasing companies whose prime market is specialized cars on operating or full-service leases (including maintenance and insurance) to shippers are doing good to excellent business. All report strong order backlogs. And all are doing some amount of tax-oriented leasing for railroads as well, through affiliates.

General American Transportation, North American Car, Union Tank Car and U.S. Railway Manufacturing are active in the field. And Pullman Transport Leasing Corp. just joined them by adding a finance leasing department of its own.

Says Robert B. Oppenheimer, president of the Railcar Division of North American Car: "Railroads have plenty of places besides cars to spend their money, especially roadbeds. I see an increased likelihood of them leasing cars."

And John C. Felten, president and general manager of U.S. Railway Mfg., adds: "Instead of a railroad man asking, 'What am I giving up?' he should be asking, 'What am I getting?' "

Railroad financial men may not be totally convinced. But at least more of them are willing to entertain the thought. Says Continental's Nachbin: "Corporate treasurers have been through the 1969-71 money crunch and the 1974 crunch. That educated them to keep all their options open, and not close off any avenue." ■

Lease? Buy? Ask your computer

You're a railroad and you need equipment. You can buy it—or you can lease it. But which is better? And how do you decide?

How do you evaluate a third alternative, repair or rebuilding of equipment to extend asset life? How do you assess other factors, as, for instance, if higher capital costs will buy lower operating costs, or if alternative depreciation schedules are controlled, or if it's possible to buy or lease used equipment?

What do you have to consider? For openers, initial capital cost, annual lease cost, operating and maintenance cost, depreciation, replacement cost, corporate tax rate, opportunity costs, investment tax credits and salvage value.

Every company has its own way of making the decision, but Peat, Marwick, Mitchell & Co. has now come up with a computer program designed to "expedite and simplify the evaluation of alternatives." PMM's program uses discounted cash flow techniques to do two things: Select the better alternative, lease vs buy; and determine the approximate time when an asset should be replaced.

● **Buy/lease inputs.** On the "buy" side, the inputs include the number of years (X) to be evaluated, the opportunity (interest) rate, the effective tax rate, the original cost (for depreciation base), the actual purchase cost, the salvage value expressed as a percent of original cost, the dollar depreciation amount for each of X years, the actual or expected maintenance cost per unit of output for each of X years, the annual units of output for each year, other lump-sum maintenance costs in each year and the sum of annual operating costs per unit of output for each year.

On the "lease" side, the inputs include the number of years to be evaluated, the opportunity rate, the effective tax rate, the annual units of output for each of X years, the lease cost per unit output, the fixed lease cost per year, the actual or expected maintenance cost per unit of output for each of X years, other lump-sum maintenance costs in each year and the sum of annual operating costs per unit of output for each of X years.

From this, PMM says, the program "prepares four cost summaries for each buy-or-lease alternative, annualized to a constant dollar stream: Capital or lease cost, maintenance cost, operating cost (labor, fuel and so fourth), and a summary of costs plus life-to-date average costs per unit of output."

Generally, the PMM program demonstrates, "the selection in buy vs lease should be governed by the lowest life-to-death cost per unit of output."

Investment tax credit, the consulting firm notes, "may be recognized in the purchase alternative by increasing the amount of depreciation in any given year by an amount which when multiplied by the tax rate will yield the credit to be realized."

Generally, too, "effective tax rates, investment tax credits and opportunity costs are the three biggest factors affecting lease or buy decisions. High tax rates and high opportunity costs tend to favor leasing alternatives, since capital can presumably be used elsewhere at high opportunity rates and lease costs yield greater immediate tax benefits. Low tax rates and opportunity costs and the ability to realize tax credits tend to favor purchase."

Robert H. Leilich, senior consultant with Peat, Marwick, outlined the program at a recent conference on coal production and transportation sponsored by Professional Lease Management, Inc., in San Francisco—and an appropriate forum it was, in view of what's being said about (1) the need for more coal-carrying cars, (2) who's going to acquire them, and (3) how they are going to be acquired.

● **How the market's shaping up.** For instance, Burlington Northern's vice president-market development, J.H. Hertog, has observed that most of the cars are going to be acquired by the receiving utilities rather than by railroads. And how are they going to be acquired? Some through purchase, no doubt. But many, also no doubt, through some form of lease arrangement. What form? Well, lease arrangements come in various shapes and sizes. There are straight leases and there are leverage leases. There are leases to railroads and leases to non-railroad lessors. And Pullman-Standard's vice president-marketing, Stanley Brown, has this to say about the non-railroad aspect of the business, with emphasis on coal: "Carbuilders provide a significant number of cars to leasing fleets whose primary business is leasing to non-railroad customers who have neither the facilities nor the expertise to maintain this type of equipment but for various reasons cannot ask the railroads to supply the quantity or type of equipment required on a timely basis. Tank cars and covered hopper cars are examples. But now coal cars in large numbers are also joining the fleets."

What's next up? Stan Brown answers: "A new form of leasing, now available, has been promoted by the inauguration of unit-train operations with leased equipment. This equipment in this service, still with a lot of unknowns, has caused many maintenance-lease suppliers to balk at supplying fixed-price maintenance commitments for leased equipment. As a result, many specialized users are now combining leverage leases of equipment with a cost-plus or escalated long-term maintenance contract."

In MoPac operations, the key word is

If you think Missouri Pacific got where it is today by pouring hundreds of millions of dollars into plant and equipment improvements, you're only partly right—because equally important are basic improvements in the way the railroad is operated, changes designed to make the most of every capital and operating-expense dollar.

The dollar totals are impressive: Since the early 1960s, MoPac has invested close to $1 billion for plant and equipment and has budgeted almost $140 million for 1975. But during much of that period and especially in the last few years, MoPac has also done a lot of tinkering, experimenting, innovating, with service and operations management. And it all added up to a 1974 in which the road recorded a highest-ever net income.

For instance, MP has been deeply involved in two experimental projects with possible industrywide impact:

—Its St. Louis Terminal Division has been the test-tube for a joint management/labor/government task-force study aimed at improvement of terminal operations.

—Along with Southern and Milwaukee Road, MoPac is into a car-balancing experiment (scheduled to expire March 31) in which car use can be improved while the car-owner's investment is protected.

- **Speed, dependability, economy.** Closer home, in terms of immediate impact, MP has done a lot of rearranging of over-the-road and terminal operations in the name of speed, dependability and economy. Among the changes in the past year alone:

—A new train was added between Houston and New Orleans and an existing schedule was revised so as to provide for runthrough service to Southern and Louisville & Nashville at New Orleans. The time-savings: Six to 24 hours.

—MoPac and Rio Grande worked out an arrangement in which D&RGW blocks for MP at Grand Junction, Colo., thus eliminating the need to switch the cars at Pueblo. And, MP blocks at St. Louis and Osawatomie, Kan., for Salt Lake City and beyond (on Memphis, Little Rock and Fort Worth traffic).

—A train between East St. Louis, Ill., and El Paso was redesigned to handle California traffic west of Fort Worth and to run through El Paso; a second train was rescheduled to handle Arizona, New Mexico and El Paso cars.

—A new connection with Santa Fe outside of Sweetwater bypasses the normal Sweetwater interchange and permits through operation between Fort Worth and the West Coast on interlined traffic.

—Through another inter-road arrangement, Southern Pacific began blocking in California of traffic for Fort Worth and east, this allowing the train handling these cars to bypass El Paso and operate through to Centennial Yard at Fort Worth.

—MoPac and Southern got together on a second runthrough between Sheffield, Ala., and North Little Rock, via Memphis.

—Major changes were made in the handling of traffic in runthroughs between North Little Rock and connecting lines in Chicago. One train operates direct to Belt Railway of Chicago's Clearing Yard, another goes direct to Indiana Harbor Belt at Blue Island; traffic for other connections continues to move to Chicago & Eastern Illinois' Yard Center, with piggyback going straight to the TOFC facility closer to downtown Chicago. With the new procedure came time-savings of about 24 hours.

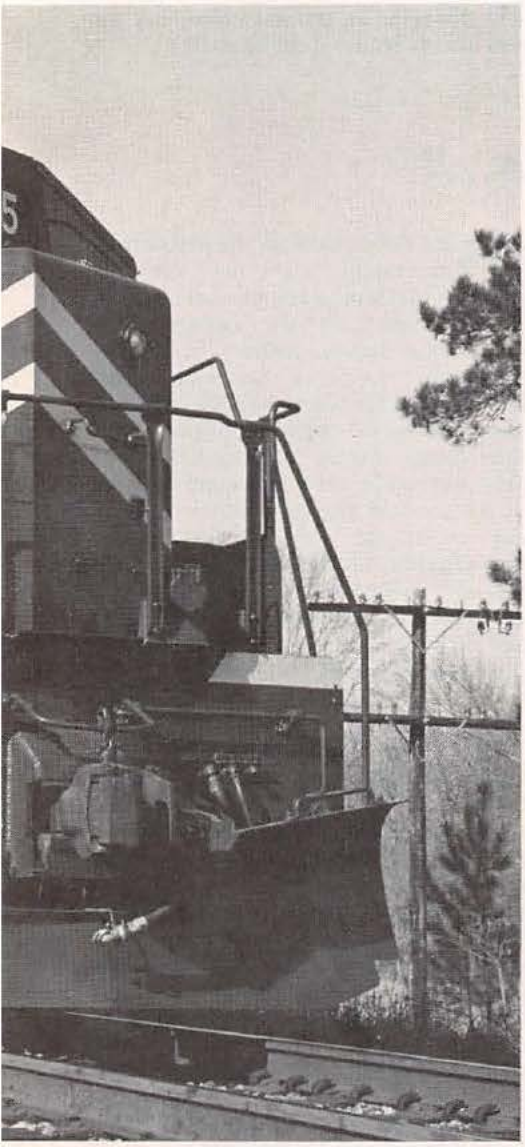
—Operations between North Little Rock and Alton & Southern's East St. Louis Gateway Yard were revised so that a train from North Little Rock and one from Houston operate straight through to the A&S facility.

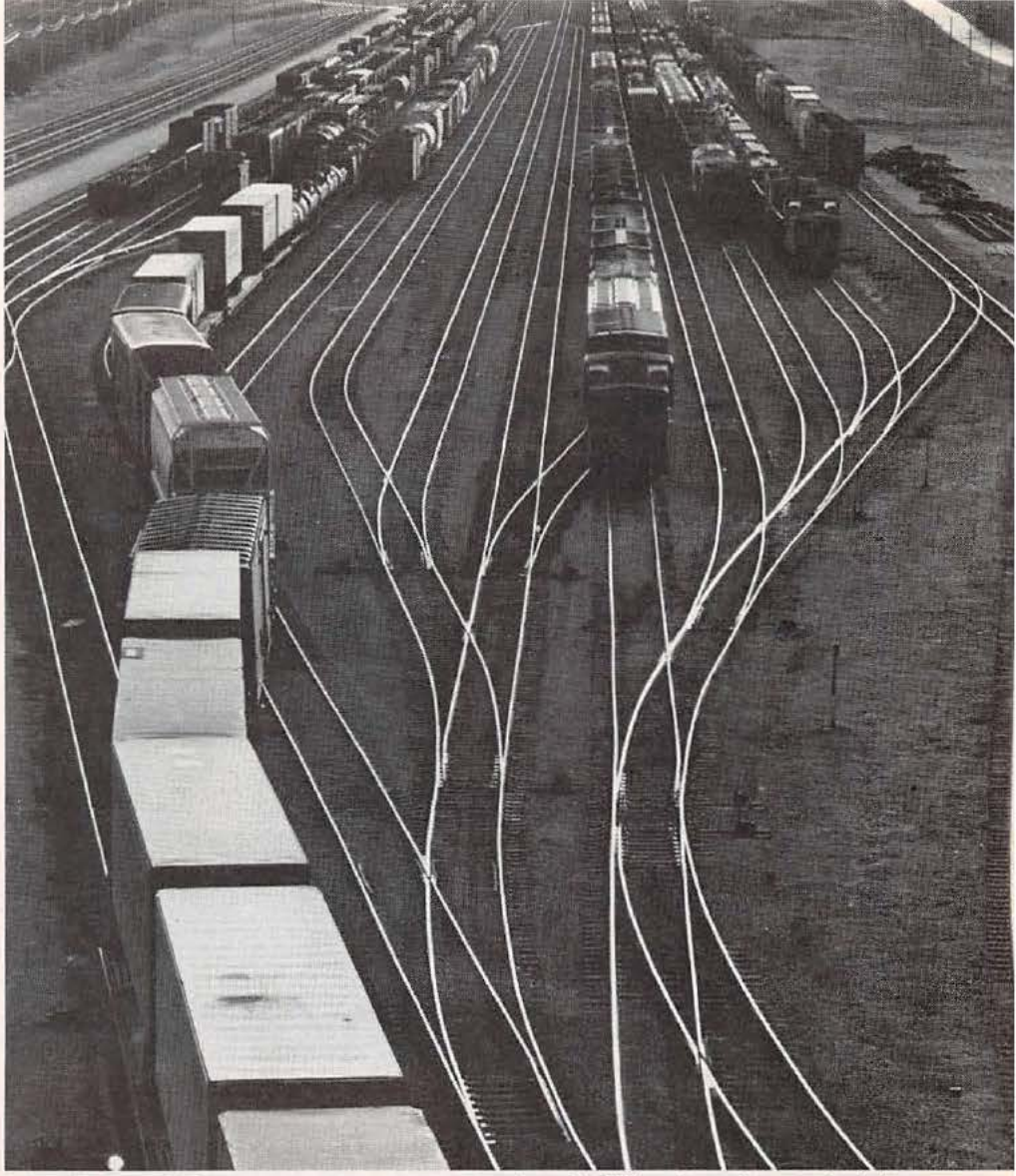
—MoPac began blocking for Chessie System on traffic for Grand Rapids, Mich., and beyond; Chessie began operating a train direct to Yard Center. Time-savings: 24 hours or more. (This is in addition to operations of Grand Trunk Western directly in and out of Yard Center.)

—On traffic destined for Mexico via the Laredo gateway, MoPac began blocking at Fort Worth and Taylor, Tex., so that traffic might bypass San Antonio. The improvement in transit time: 24 hours, on many cars. And, traffic from Memphis, St. Louis and Chicago had already been speeded up by 24 hours to Laredo during '74.

—A new through train in each direc-

"change"





ONE KEY ELEMENT in operational improvements has been flexibility of operations, particularly in the use of satellite yard facilities.

MOPAC SPENDS A LOT OF MONEY for equipment and plant improvements and its operating officers spend a lot of time figuring out better ways to run the railroad—and those two factors go a long way toward explaining how the road has been able to improve service, improve bottom-line results and lower the operating ratio.

tion was added between Kansas City and New Orleans. The reduction in transit time: 30 hours or more.

—A train was added, Chicago to Houston/San Antonio, with blocking at Chicago and no further switching required for more than 900 miles. The time-savings: 24 hours.

—In the Kansas City/Fort Worth/Houston/San Antonio corridor, four daily trains were added and schedules and blocking were changed on four trains already being operated. The reduction in total transit time between Kansas City and Houston/San Antonio: 24 hours.

—Schedule adjustments in the Chicago/Memphis corridor expedited traffic by 24 hours.

● **Think first. . .** That's just a sample of the changes MoPac has made—and a sample of what may be coming, because Vice President-Operation James W. Gessner, Assistant Vice President John M. Toler and their officers are committed to running what might be termed a thinking-man's railroad, one that commits dollars to improvements where necessary but one that first looks at operating changes which might reduce the number of investment dollars required.

Case in point: Not so long ago, Missouri Pacific had a real problem at Memphis (a major gateway at which more roads than just MP have "real problems"). There was congestion, delay. But MoPac was boxed in, with no way to expand its existing yard. About the only place it could build a new yard was on the west bank of the Mississippi River, in Arkansas. But new yards, lately, are costing in the neighborhood of $40 million (a sum about equal to MP's total budgeted road/plant capital program for 1975). MoPac operating officers thought there ought to be an alternative to spending that kind of money—and apparently there was: MoPac worked out more run-through arrangements; it changed its own operating methods, to make better use of outlying yards and to begin melding trains out on the line. Result: Where average car-detention time in the Memphis terminal used to be 28 to 36 hours, it now averages a mere eight hours and there have been many days when the average has been down to six hours.

Another example of operating change concerns operation of a couple of MoPac's hump yards. At North Little Rock, the yard wasn't classifying cars in numbers up to its nominal per-24-hours capacity—but because of schedule timing, there was little or no balance: Yard forces might be confronted with 800 to 1,000 cars at 5 a.m., for instance. MoPac got around this by changing blocking at satellite yards, maintaining the integrity of the blocks and bypassing the big yard;

similarly, the newer Centennial Yard at Fort Worth has been operating well below capacity because MP has been able to control blocking so that certain through traffic can also bypass the hump.

This kind of thinking in the Operating Department is essential to any road—but especially to one that operates into so many terminals where congestion is almost the order-of-the-day: Chicago, St. Louis, Kansas City, Memphis, and, to perhaps a lesser extent, San Antonio, El Paso, New Orleans. This kind of thinking also produces a juggling of costs and responsibilities—but Gessner takes a calm view of such things: "In what we've done, we don't necessarily change the volume of switching, but we make it more meaningful. And yes, every time we make such changes, we transfer costs—but we also usually reduce them, over-all."

"Railroading is not an art. It's a business..."

Jim Gessner is a man in a hurry—a man who believes deeply in the need for change and in the need for people to seek out changes that bring improvement. Not long ago, MoPac's vice president-operation stood up before a meeting of the American Association of Railroad Superintendents, and these were some of the things he said:

"Each of us has the inherent desire to do those things we do well and to put aside those things that make us feel uncomfortable. Too many of us spend our precious hours putting out brush fires rather than making time for analytical thinking that leads to true problem-solving. These too-human failings concern me deeply. They may be the reasons that new railroad technology and methodology are not being developed as fast as they might be or implemented as efficiently as they should be. We have made substantial progress. But it also seems well within the realm of possibility that we could be making far more progress...

James W. Gessner

• Heading for tragedy. "I don't believe we can any longer afford the traditional ways and traditional thinking that pervade our industry. Railroading today possesses little or no mystique. It is not a fraternity or brotherhood. It is not an art based upon personal genius or intuition. Railroading is first a business. Our past failure to recognize that we are a business and not just a railroad, our failure to direct our attention to the production of transportation and not just railroad service, our failure to break our ties with tradition, and our dependence upon precedent to guide us in our reactions to the changing competitive transportation market—these have all resulted in one of the near economic tragedies of American history. . .

"Inconsistent and unreliable are two words our customers frequently associate with rail service. Paradoxically, inconsistency renders costs to railroads that we, too, cannot afford. Rail transportation is comprised of an assembly of piece-parts united by a regular interdependence. It is not unlike a machine composed of many interacting parts, each of which must conform to specifications within prescribed limits of tolerance. A defect or excessive tolerance of one part can cause an adjacent component to mismatch, be ineffective or inefficient, with a resulting reduction in quality or even the uselessness of the entire machine. In much the same way, railroad operations have blueprints and the products have specifications and tolerance limits. For example, each terminal in a rail network has a defined operating strategy. This plan governs the most efficient use of the available resources and is based upon and integrated with scheduled arrivals and departures of trains and cars. The strategy at one terminal is also interdependent upon adjacent terminals. When the integrity of schedules breaks down at one point, for instance a train's departure is delayed, this affects the plans, routines and even the entire strategy at another point and requires tactical changes. The inability to respond or redeploy the resources efficiently results in added costs. What is the meaning of all this? It illustrates that railroads must operate under a precise and well-defined plan. It further suggests that a reliable service is essential—but may well be the least-cost means of producing transportation service. It emphasizes the need for a tight discipline of tolerances of the individual parts. . .

• Where to focus. "Too often we fail to solve a problem because we focus on the symptoms rather than on the problem itself. For example, right now when we deliver a runthrough train to a connecting carrier there are six exchanges of data—train arrival, delivery to the interchange, receipt of the train, train departure on the connecting line, and two transmissions to certify completion of the interchange. Errors happen. Now, conventional wisdom would dictate that we do all possible to reduce the errors. But the errors are only a symptom, a manifestation of the problem—which is the abundance of paperwork. Why not eliminate the paperwork to reduce error and make the interchange far more simple and efficient? It can be done. But are we willing to assume the risks of trying out new ideas?. . .

"At times, logic itself can block problem resolution and its result, change. Sometimes the 'illogical' thing may hold the answer. Simple logic might dictate that the more we can control costs the more we can contribute to profit. But there is a big difference between blindly cutting costs and what might be called cost minimization. For example, when one thinks of the earning potential available through implementation of only a relatively small improvement in the freight-car fleet, many additional expenses associated with achieving these improvements can be offset and the total cost minimized."

What's going to be required of the operating officer? This is Jim Gessner talking: "The role of the operating officer is a changing one that will require us to become general strategists in the best military sense. We will be called upon to spend more of our time on over-all planning and development of transportation service. The tactics of the service must be worked out and performed by those who work under us. We must become managers whose success is based upon getting results through others. . .All of us have a choice. We can fight change and cling to the traditional methods of performing our function. Or, we can welcome change as an opportunity to develop a railroad system the like of which has never been experienced in our industrial society."

Gessner's final word: "I've made my choice."

With all of this changing and revising of operations and with such a strong emphasis on service, MP has been coming out ahead on both sides: The total operation is in fact a better one today—and the operating ratio has been coming down, from 77.1 in 1972 to 74.2 last year. (By comparison, the industry ratio was 78.7 in '72 and an estimated 77.5 last year.)

● **TCS on target.** Naturally, you don't make the changes MoPac has made nor do you gain the kind of operating control MoPac has without a timely and trustworthy information system. And on that score, MP seems to be moving toward full development of one of the industry's best, with its Transportation Control System (TCS) now set for 100% implementation next year. Already the road's Transportation Control Center (TCC) in St. Louis has been in operation for about two years, working with TCS-generated data to institute and expand operating control in such areas as locomotive, caboose and car distribution, scheduling, monitoring, planning. One evidence of how well one phase of this, which MoPac calls positive car control, is working: On one recent year-to-year comparison, the road handled close to 140,000 more carloads at a savings of about 1.8 million car-days; many factors contributed, including TCC and TCS and online operating changes—but the results were still impressive.

Something else that impresses about MoPac operations is the way in which MoPac has brought along young people, seeing to it that they get the right training, broad training, added responsibility and promotion. All sorts of job "swaps" have been worked out, with people moving among TCS, TCC and field operating positions, and this has helped to produce a group of operating managers which may have the lowest average age of any in the industry: On MoPac, it's not really unusual to find individuals in their 30s holding jobs at the general-manager/assistant-general-manager level.

● **"Reaping the benefits."** Ever since it extricated itself from a lengthy period in reorganization, MoPac has been known as a road that spent a lot of money to build itself up. But the real renaissance, as most see it, began a dozen or so years ago when Downing B. Jenks and John H. Lloyd bade farewell to Rock Island and moved from Chicago to St. Louis (then as president and vice president-operation, respectively, now chairman and president). "They really started building up the railroad," Gessner reflects, "and we're reaping the benefits now. There aren't many railroads, you know, that can equal Missouri Pacific in terms of physical plant. And we don't believe there is any road with people who are more dedicated, capable and determined." Gessner's aim? To keep MoPac also at the top in terms of sheer operating capability. ■

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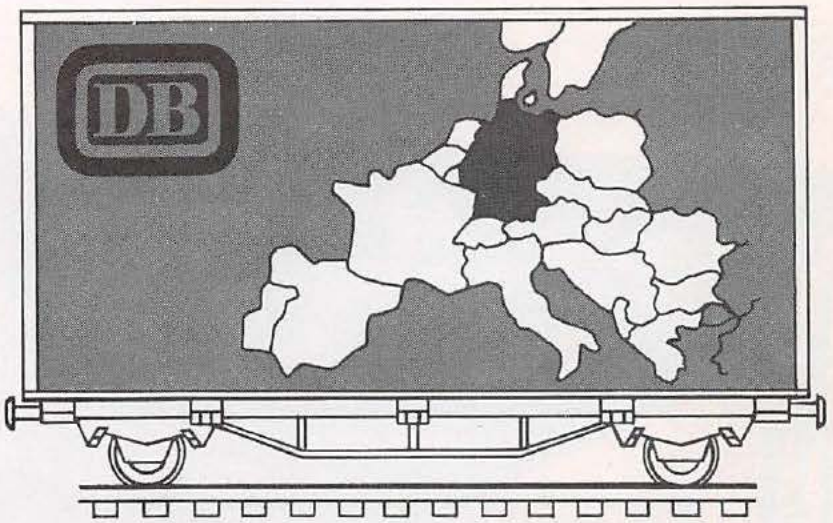

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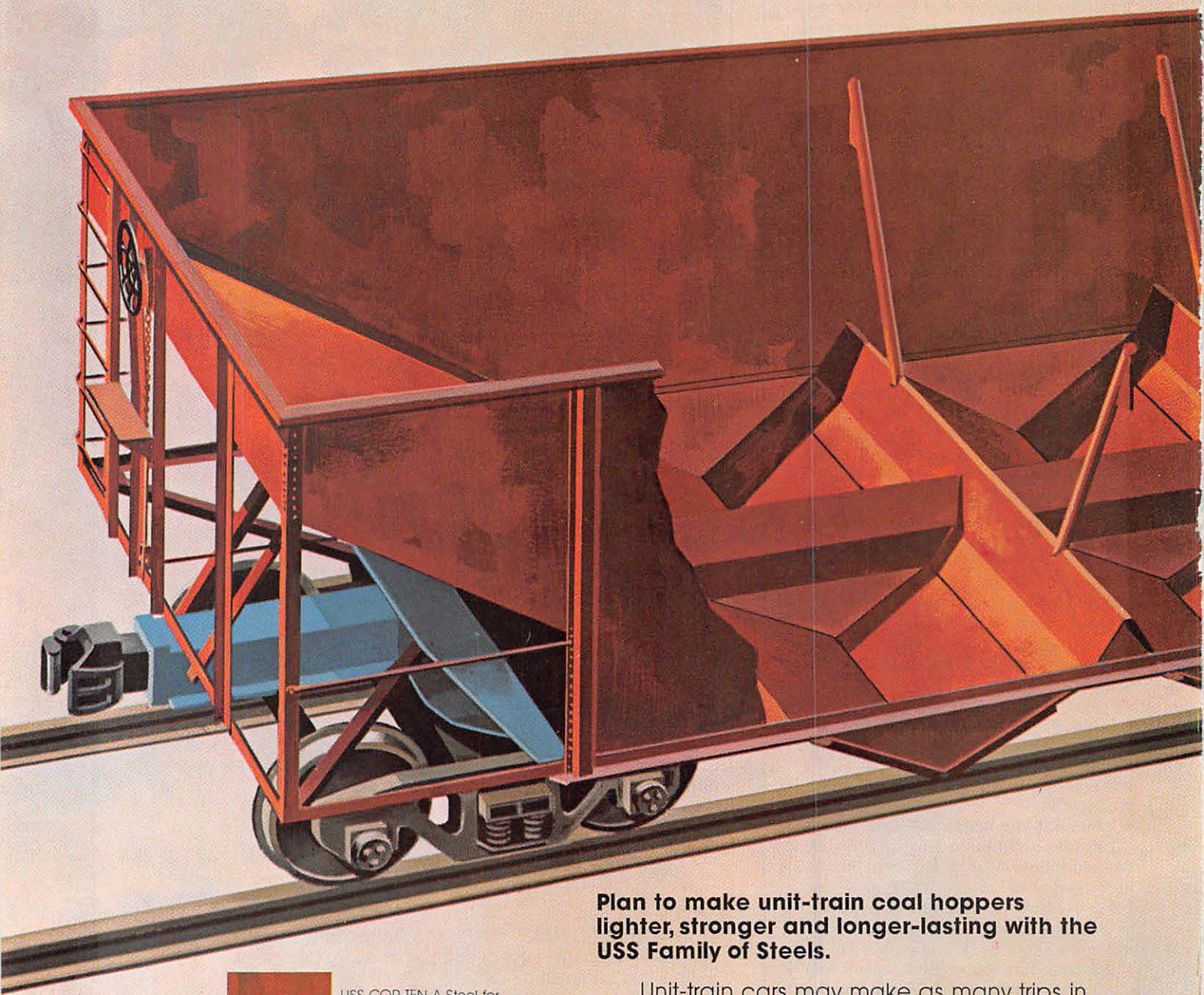

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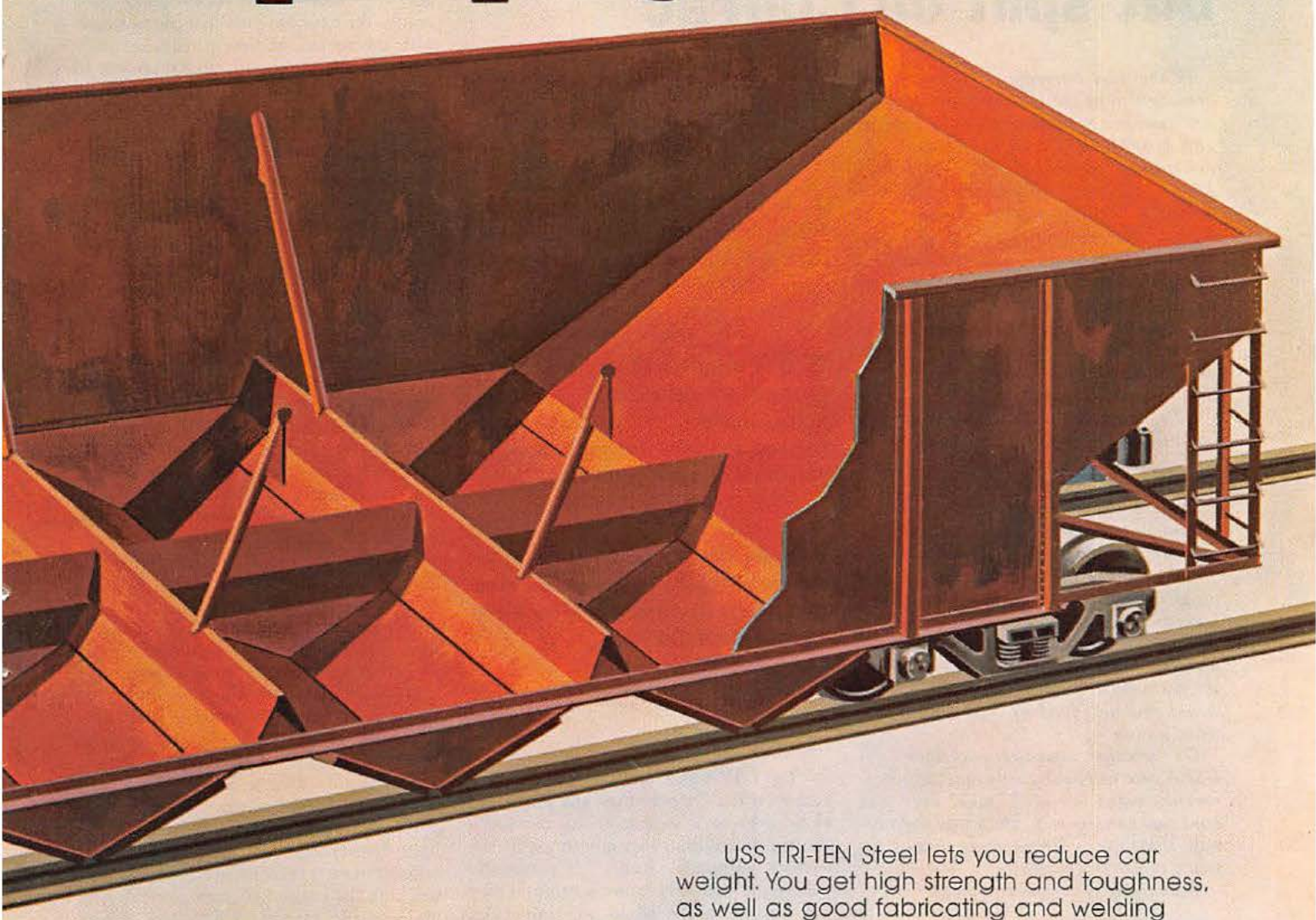

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Traffic Poll:

Shippers like USRA plan, but split on ConFac

In the days immediately following announcement of the United States Railway Association's Preliminary System Plan for the Northeast and Midwest, the newspapers were full of "reactions." Everybody from Congressmen to concerned housewives wanted to get on the record, and many of them did. But what about the group which, after the railroads themselves, will be most importantly affected: the shippers whose freight business could make (or break) the plan? Early in March, Railway Age asked 70 big, medium-sized and small shippers to "vote" on the USRA plan.

The returns: An overwhelming majority—84%—think it's basically a good plan, though nearly all of them find something about it they don't like (it's too costly—or not costly enough; it involves too much government control; it calls for too many—or two few—branch-line abandonments). On the questions of the proposal to turn over roadways to a government-controlled corporation, ConFac, there was considerably less unanimity of opinion. More than half of the surveyed shippers—54%—think it's a bad idea that would probably lead to total system nationalization.

On another question—whether the USRA plan will be so costly that the government might as well take over the bankrupt carriers lock, stock and right-of-way, there was near unanimity: only 6% found this to be acceptable.

A sampling of shipper comments:

Railway Age asked 70 shippers:

1. Is the USRA's plan for restructuring railroads in the Northeast and the Midwest a good plan, in your view?

Yes...84% No...16%

2. One proposal is that a separate government-controlled corporation, ConFac, be established to finance roadway rehabilitation. Do you think this is a good idea?

Yes...46% No...54%

3. Some say the USRA master plan will be so costly to the government that nationalization would be a preferable route. Do you agree?

Yes...6% No...94%

● **"We need action now."** "USRA has done a remarkable job with the preliminary plan in such a short time frame. A lot of work remains to be done before it can be a workable plan. One thing is certain, however: if a potentially viable rail system evolves from the present mess, the squabbling among the regulatory agencies will have to cease and all will have to cooperate in this effort. Otherwise we are headed down the road to nationalization.

"What's so bad about ConFac? What's bad about dams in the rivers or dredging the coastal harbors? Or FAA help to the airlines? Or government storage bins for private grain? The physical property has got to be rehabilitated, and first, and it's doubtful if private capital will be available. We need action now, so let's get started and quit arguing about the color of the money."—C.W. Hall, director of transportation, Armco Steel Corp., Middletown, Ohio.

"The USRA plan and ConRail can be a success if the Congressmen and states will allow it to be a success. I am more optimistic today than last month about the eastern railroads' future. I personally believe the railroads' future is bright if they can resolve their labor working rules problems and rather modest changes in economic regulation by Government."—R.J. Helm, vice-president-transportation, Continental Grain Co., New York, N.Y.

"The USRA has done a good job in a limited time of putting together a sound operating alignment with due regard for the necessity of preserving competitive service, and with a reasonable alternative if the basic plan proves to be too difficult to implement. There are major financial problems, a number of dangerously optimistic assumptions and some inadequacies of data, but the report provides a good basis for further refinements and improvements."—T.T. Church, assistant vice president, transportation, Bethlehem Steel Corp., Bethlehem, Pa.

"The preliminary plan of USRA appears workable and should not be delayed in further planning—the time schedule should be adhered to if possible. If the northeast situation is resolved, the southern and western railroads will remain healthy and prosper."—E.S. Rosenzweig general traffic manager, Longview Fibre Co., Longview, Wash.

● **The cost of procrastination.** "Action is needed and while judgment of individuals affected will differ, it is a plan to get things moving. The plan is going to be costly. We have not provided the railroads with the means of timely reducing their miles of operation with abandonment of unprofitable branch lines and in numerous other areas directly affecting the efficiency of their operations where legislative relief is required. We must, therefore, pay the cost of procrastination. I believe the great majority of transportation people will agree this will be far preferable and much less costly than nationalization of the bankrupt carriers."—G.A. Falconer, general traffic manager, Gulf Oil Company-U.S., Houston, Texas.

"Development of the plan in the short span of time permitted is in itself a remarkable achievement. With proper implementation and protection of solvent carriers to provide competition the result should offer a viable Northeast system. Even with shortfalls the plan is preferable to nationalization or cessation of service because of financial collapse."—George C. Bush, general traffic manager, Youngstown Sheet & Tube Co., Youngstown, Ohio

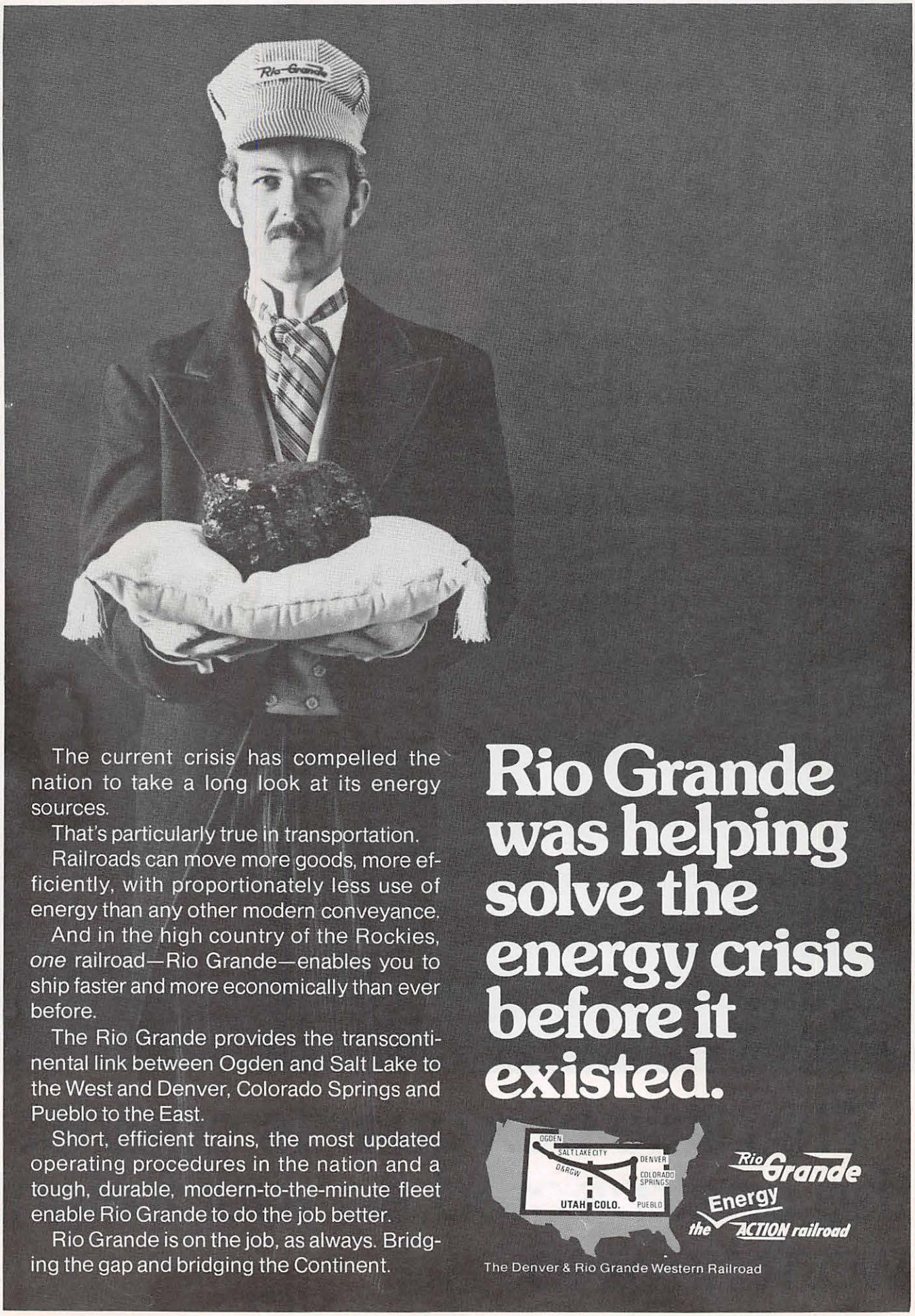
"The greatest hope for the Northeast is for the ICC to take a more sensible look at lines that have little or no revenue return, and where service could be handled by truck at only a slight increase to the industry involved."—Claude A. Betbeze, traffic supervisor, Godchaux-Henderson Sugar, Mobile, Ala.

"The Northeast rails can never become a viable transportation system until the light density lines are abandoned. Local selfish interests must recognize this or they will sink the entire program."—T.B. Kircher, traffic manager, Spreckels Sugar Div. of Amster Corp., San Francisco.

"Generally, the formula used by USRA to determine revenues and expenses of branch lines is a mystery. I am unable to determine if the proposed abandonments are fairly defined. Absence of details of formula raises question whether 'due process of law' has been extended to shippers on lines proposed for abandonment."—V.J. Haan, customer services, International Minerals & Chem., Libertyville, Ill.

"The Northeast railroads need innovative, aggressive management. Present management is getting nowhere fast. With government subsidy there is no incentive to work their way out of bankruptcy. The government will take care of their shortcomings. If the government is paying for the operation they may as well own it. The profitable railroads should continue under private ownership but closer control over their financial dealings is needed. Other-

(Continued on page 54)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SOUTHERN

THE RAILWAY SYSTEM THAT GIVES A GREEN LIGHT TO INNOVATIONS

Products Report

Wrecking crane can lift 150,000 pounds

A new railroad wrecking crane is being offered by the Ernest Holmes Division of Dover Corp. Called the RC-75, it is the company's largest load capacity crane. It is capable of lifting 150,000 lb. New engineering design features include a four-man tilt cab on the carrier, tandem front and rear axles, a 36,000-lb load capacity on front axles, and the emergency release clutch on the hoist transmission. Front and rear outriggers, hydraulically operated, extend to 180 inches center-to-center of pads for extra lifting stability. The 25-ft crane boom revolves 360 degrees, is power elevated and supported by a solid bar-type boom pendant. The RC-75 can approach derailments and other line and yard jobs from almost any angle.

Circle 60 on reader service card

New model added to line of FRP trailers

A specially engineered rail service van for piggyback service has been added to Monon Trailer Co.'s line of fiberglass-reinforced plastic (FRP) trailers. "Monon pioneered the FRP van over five years ago," says Jerry Ehrlich, MTC president. "Now we are ready to couple this experience to the many years of piggyback trailer experience to offer a unit with advanced engineering features that will be of great value to the rail traffic market. Like all other Monon FRP trailers, the new piggyback model will offer the rail user the advantage of longer life, lower maintenance cost, larger cubic capacity, better insulation and better appearance than standard aluminum vans."

Circle 61 on reader service card

Security system records every truck cargo-door activity

A security system that deters pilferage and supervises cargo personnel has been developed by Intelligence Services, Inc. The electronic product is installed on truck cargo doors. Called Adam (Automatic Door and Activity Monitoring), Model SS-1, the system automatically records on tape every cargo door activity—printing out the precise times and dates a door is opened or closed. Adam has indefinite seal life. By providing precise information on all cargo door activity, Adam supplies accurate data for time studies, performance ratings, evaluating truck equipment use and after-the-fact loss investigation. Adam's primary power source is from the truck's electrical system. If that source is cut off, it automatically switches to its own internal power. Optional features include an alarm system with dual key operation and duplicate tape printout for daily appraisal and analysis. The system is offered on a lease basis through Computa Seal Systems, Inc.

Circle 62 on reader service card

Mobile vehicle lift eliminates the need for pits and platforms

The new model Nycal/Hywema RG5 electro-mechanical mobile vehicle lift

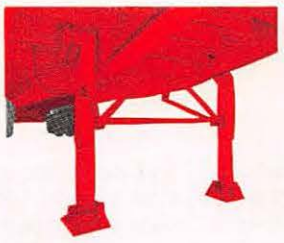
The new Gindy 75K. You're looking at an exciting new breed of flatbed trailers. The Gindy 75K is the one that offers you the highest strength-to-weight ratio of any comparable unit on the market today. That can mean a bigger payload.

The new Gindy 75K is not just another flatbed trailer —but a combination of the best qualities of flatbed trailers you'd find on the road today.

We studied them and made additional improvements. Then we fed the whole package into a computer for analysis. Results: the toughest flatbed trailer around. That can mean less downtime and maintenance.

The Gindy 75K has been tested extensively in our laboratories. And road tested by our customers. It has logged millions of trouble-free miles. The Gindy 75K passed with flying colors. And proved to be everything you need in a flatbed trailer.

The new Gindy 75K has a frame rated at 75,000 lbs. That's the strongest rating available and it's standard



with Gindy. The Gindy 75K lets you concentrate 40,000 lbs. in any 10 feet. That's also standard. In fact, there's a great deal more you'll find standard on the Gindy 75K you won't find elsewhere.

You can specify any normal landing gear or any standard suspension arrangement. And any of our standard bulkheads all of which meet BMCS Reg. MC12.

If you want more in a flatbed trailer, more economy, a bigger payload, and less maintenance—now is the time to look into a Gindy 75K. It's not just better. The Gindy 75K is the best.

Send for our new brochure on the Gindy 75K. It tells all. Gindy Mfg. Corporation, Valley Forge, Pa. 19482.

The new Gindy 75K.

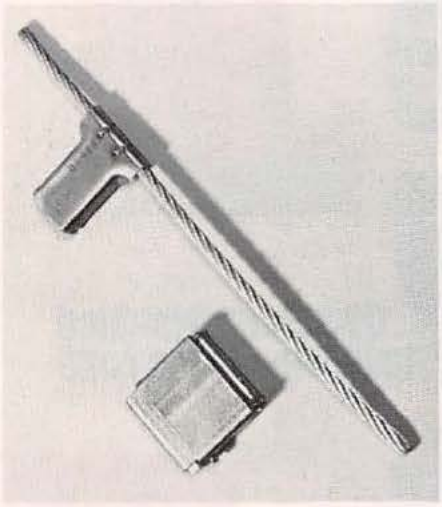
Computer designed to be king of the road

Gindy Mfg. Corporation, The Irwin Building, P.O. Box 859, Valley Forge, Pa. 19482. A Budd Company.

Circle 21 on Reader Service Card

from the Nycal Co. will elevate a rail car, bus or other vehicle weighing up to 44,000 lb in less than three minutes, giving access to the undercarriage. The lift eliminates the need for pits and platforms. RG5 consists of four mobile lifts, four supports and a control cabinet. Safety features include automatic shut-off in case of motor or cable failure, a back-up nut, a self-locking trapezoidal thread on the motor spindle and a UL-approved heavy duty, explosion-proof motor.

Circle 63 on reader service card



Anti-pilferage device offers high protection for hot loads

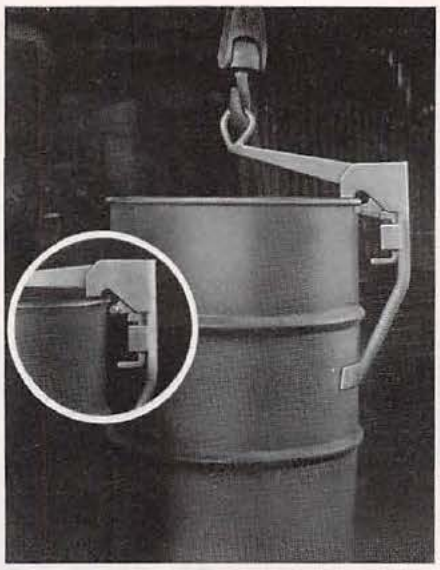
A no-loop , anti-pilferage device has been developed for securing all types of freight shipments for the transportation industry. Called Flag LocSeal, it combines a high-grade aircraft cable with a patented reusable locking device that provides high-level protection on hot loads for a nominal cost. Flag LocSeal—developed by the CSE Division of Brammall, Inc.—is letter coded and sequentially numbered and offers perfect seal integrity. Made of all-steel components, the device can be snugged to the door hasp leaving no loop to twist off, because the reusable locking device makes inaccessible the portion to be cut.

Circle 64 on reader service card

Cargo seal can be used on any truck or rail car door

A deterrent to in-transit cargo theft is being marketed by Brammall, Inc.'s Cargo Security Equipment Division. Called Cable LocSeal, it can be used on any truck or rail car door, simultaneously locking and sealing shipments. Made of high-grade aircraft cable with a slip-on locking device constructed of cold rolled steel, Cable LocSeal can be coded to customer specifications, replacing separate seals and offering hot load protection and perfect seal integrity for low cost per door.

Circle 65 on reader service card



Drum lifter has automatic locking; lifts 2,000 pounds

An improved Model 2030 Drum Lifter has been introduced by W/W Engineering Co. It features an automatic locking device that moves into position for positive locking action as the load is engaged. Load capacity is 2,000 lb. Model 2030 quickly converts any portable or jib hoist, overhead crane and mobile crane into a convenient drum lifter and handler designed to handle 30 and 55 tight head or removeable head drums. The device simplifies drum handling and provides easy no-tilt lifting at low initial cost.

Circle 66 on reader service card

Magnesium handtruck is two trucks in one

A versatile 2-in-1 magnesium handtruck is available from Wesco Manufacturing Co. It can be used as a regular two-wheel handtruck or as a four-wheel platform truck for handling cartons, bins, totes, boxes, beverage cases, drums, pails and most containers. As a two-wheel handtruck it offers a load capacity up to 450 lb; as a four-wheel platform truck it offers a load capacity up to 800 lb. The rugged handtruck weighs only 36 lb and can be handled by one man.

Circle 67 on reader service card

NEW LITERATURE

RECHARGEABLE BATTERY. A new catalog sheet for the GC12200 Gel/Cel rechargeable battery has been issued by the Globe Battery Division of Globe-Union, Inc.

Circle 70 on reader service card

PERISHABLE COMMODITIES. Printed proceedings of the AAR's 26th International Conference on Handling Perishable Agricultural Commodities are now available. Price per copy: $4.50.

Circle 71 on reader service card

LIFT TRUCKS. A new bulletin on Narrow Aisle Lift Trucks has been issued by the Raymond Corp.

Circle 72 on reader service card

RAILROAD EQUIPMENT. The Census Bureau has released the final 1972 Census of Manufacturers Report on ship and boat building, railroad and miscellaneous transportation equipment. Price $1.30.

Circle 73 on reader service card

AUTOMATIC CAR IDENTIFICATION. The second edition of the "Automatic Car Identifications Manual," effective Jan. 1, 1975, is available from the AAR. Price per copy is $1.50; volume orders reduce the per-copy price.

Circle 74 on reader service card

INCINERATING TOILET. A pollution-preventing answer to waste disposal, Pyrolet's incinerating toilet, is described in a recent brochure.

Circle 75 on reader service card

ROLLER BEARING. A 351-page illustrated textbook, the "Atlas of Roller Bearing damage," is available from SKF Industries. Price: $200.

Circle 76 on reader service card

MOTOR GEAR CASE. The Railroad Products Group of Abex Corp. has issued a brochure describing a fiberglass cover for traction motor gear cases. The new case can be easily changed out or repaired when derailment damage occurs.

Circle 77 on reader service card

SHELTERS. A four-color brochure features the entire line of Chalfont Sewing Fabricators' door seals, dock and rail shelters.

Circle 78 on reader service card

ENGINE AIR FILTER. "Slim Vee Pac-2, non-stop protection for locomotive engines," is a two-color brochure from Donaldson Co., Railroad Products Group. The brochure explains how Donaldson's new air filters provide dependable air cleaning protection for locomotive engines.

Circle 79 on reader service card

TRACK TOOL SAFETY. A 15-minute color film on railroad track tool safety has been produced by Woodings-Verona Tool Works.

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- Provide superior lading protection because they're stronger and lighter than ordinary steel dividers.
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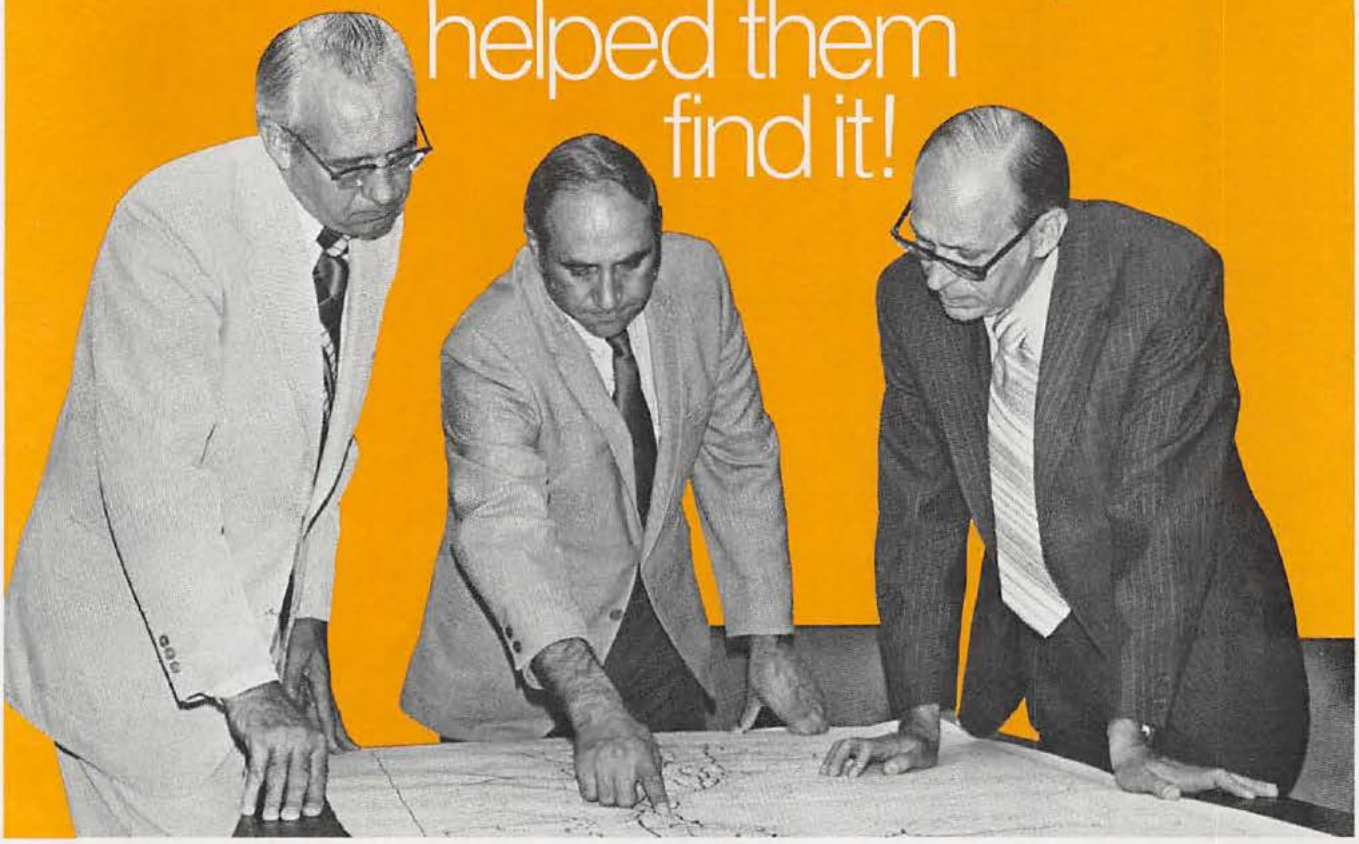
The ICG knew there had to be a better and more economical way to provide their shippers with grain door protection.

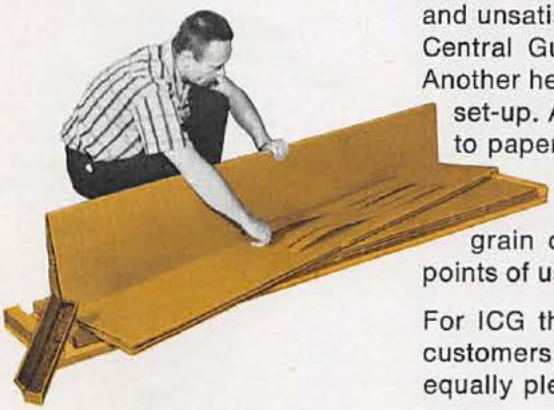
International-Stanley helped them find it!



C. W. Damiano, ICG general superintendent car control (center), discusses grain door kit deliveries with Richard Arthur, I-S district manager (left), and Jack M. Reckley, ICG superintendent car control.

UNIQUE I-S GRAIN DOOR SUPPLY AND SERVICE SYSTEM

Between pilferage, delays in unloading heavy doors at coopering points, and unsatisfactory sanitation, wood doors were a headache to the Illinois Central Gulf Railroad Company's car control and freight claim people. Another headache was the cumbersome inventory control and distribution set-up. After discussion with ICG executives, it was decided to convert to paper doors; and International-Stanley Corporation representatives, together with ICG car control people devised a unique plan whereby I-S assumed responsibility not only for supplying the grain door kits, but for delivering required quantities direct to ICG points of use.



I-S delivers grain door kits—containing everything needed to cooper one car in a convenient single package—direct to points of use.

For ICG this has meant increased efficiency, lower costs, and satisfied customers, since elevator operators, processors, and other shippers are equally pleased with the new grain door operation.

Write or phone for further information. Toll free: 800/228-9257

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A real tough cookie this Fruehauf Z-Van. Tough enough to meet and even surpass the latest A.A.R. specs.

We make it that way because we know a trouble-free piggyback van is the only kind you can afford in today's competitive market. And after all, who knows the van better than you and us.

That's why you're way ahead with Fruehauf behind you. TOTAL TRANSPORTATION

FRUEHAUF

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LETTERS

Interconnection

Philadelphia, Pa.

To the Editor:

In the article "Real growth seen in C&S budgets," (RA, Jan. 27, p. 32), a reference was made to a study by NARUC of the impact of interconnection of privately owned equipment with the switched telephone network on the quality of service provided to telephone subscribers.

The NARUC study indicated that interconnection would result in higher costs to the using public. At this time the conclusions reached in this report are those of NARUC, and have not been investigated and confirmed by any regulatory body.

The entire subject of interconnection is presently being considered in a number of FCC Dockets. Similarly, State Public Service Commissions are also investigating this subject.

Your comment that the NARUC report has generated introduction of legislation that would allow users freedom to interconnect, is somewhat misleading. Bill H.R. 14848 submitted to the House in the 93rd Congress by a representative from New York would allow the interconnection of limited types of customer-owned devices to the telephone company switched network. It does not provide for the interconnection on a broad scale of customer owned equipment or facilities.

Senate Bill S.3580 submitted by Senator Magnuson was referred to the Committee on Commerce during the same session. This bill, while appearing to serve a desirable need, would, if enacted, have the effect of severely restricting or eliminating any interconnection of customer owned facilities or equipment with the switched telephone network. Basically, it requires that the FCC prepare statements of the economic impact of its actions on rates for local telephone service. It would amend Section I of the Communications Act to include a requirement, among others, that the FCC use a Federal-State Joint Board to evaluate every proposal and ". . .include in every proposal, policy statement, report, or order, which may have a significant impact on increasing the rates for telephone exchange service in the future, a detailed statement of such anticipated impact; and. . ."

These bills died in Committee, but will undoubtedly be reentered during the current session.

The AAR Special Committee on Interconnection of the C&S Section is actively involved in following up on all aspects of the interconnection problem, as this is a matter of considerable importance to the railroad industry.

R.C. Karvwatt
Director-Communications Services
Penn Central Transportation Co.

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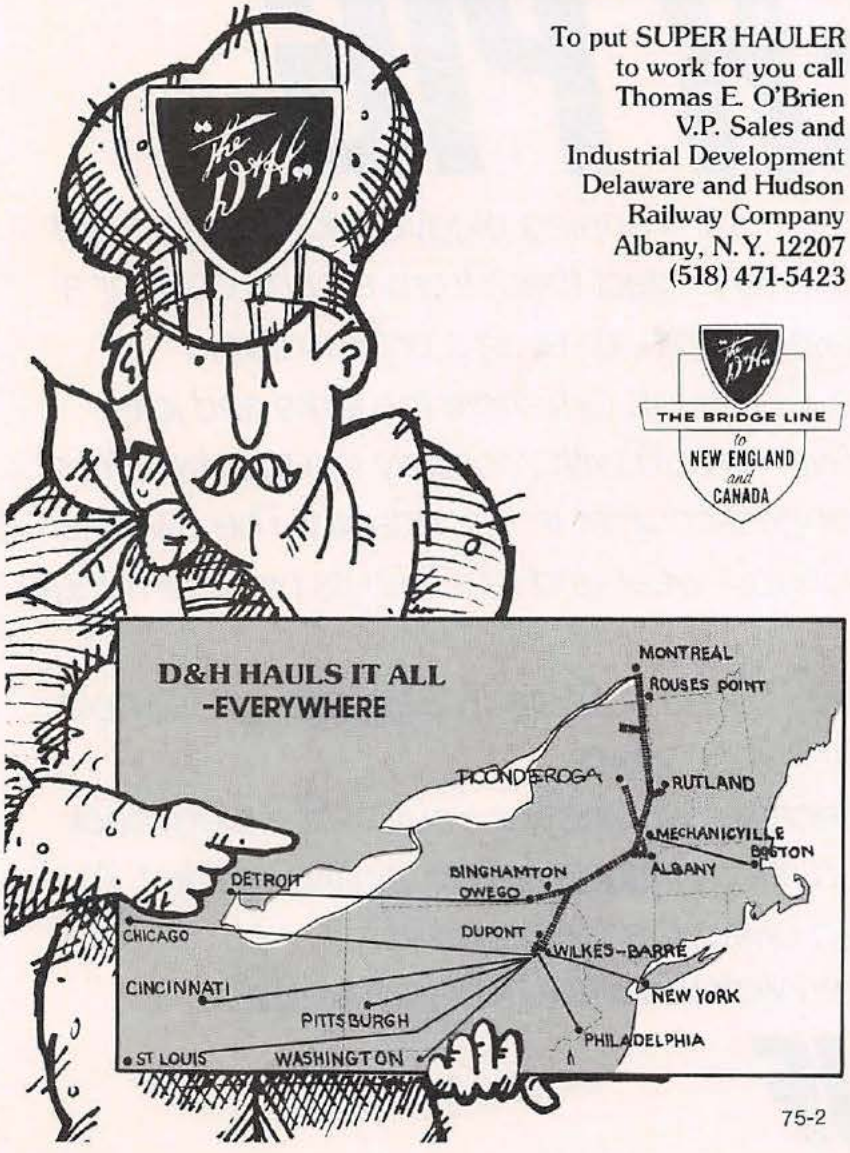

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"Take 'em over. . ."

Edison, N.J.

To the Editor:

I thoroughly enjoyed, and want to compliment you on, your very fine article entitled, "Take 'em over and run' em right. . . into what?" which appeared in the March 10 issue. I am not a world traveler, but I have been in Europe on two occasions during the last 10 years and I have seen shocking examples of what they call freight trains.

This country has gone through some trying times in the past year, but things are really going to be bad if we ultimately get to nationalization of our railroads. It is my opinion no stones should be left unturned in preventing this from happening.

F.C. Atherton
Director of Traffic
J.M. Huber Corp.

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Interchange

NASA calling....

By KENNETH ELLSWORTH
Mechanical Editor

Whether there will ever be a railroad on the moon remains to be seen. But we do know railroads in the U.S. and Canada are using some of the sophisticated technologies employed in getting man to the moon and back. The applications are to be found in a research and testing program now being conducted on a scale unprecedented in the industry's history.

This is the Track/Train Dynamics program—a cooperative undertaking of the Association of American Railroads, the Railway Progress Institute, the Federal Railroad Administration, and the Railway Advisory Committee of the Railway Association of Canada/Transportation Development Agency. Financially, the program is modest, with a tab of about $5-1/4 million for the current three-year Phase II project (now in its first year). Technologically, the scope is total—starting with the trackbed, up through the tracks, wheels, trucks, roller bearings, coupling, draft gear, braking systems and so on. It covers both locomotives and freight cars.

A lesser known aspect of the program is its utilization of a broad range of new technologies spawned from research done by the scientific community (at the taxpayers' expense) for the National Aeronautics and Space Administration. NASA's technology utilization program, formally established in 1962, has only in the past four years begun to find its way into the private sector in the form of systems and hardware.

One application is the mathematic modeling of freight cars, locomotives, truck-car bodies, lateral/vertical forces, and train action. Another is the use of NASA's structural analysis computer program (NASTRAN) which treats a structure as being built up of numerous tiny structures or elements. NASTRAN helped develop the incredibly reliable Apollo Spacecraft.

Worth noting is that these and other aerospace technologies are available to private industry. The opportunity exists to benefit from some part of the $175 billion spent on total Federal R&D over the past 15 to 20 years. One car builder has introduced a new line of freight cars based in large part on the use of NASTRAN.

Anyone interested can learn more by writing to: Jeffrey T. Hamilton, Director, Technology Utilization Office, National Aeronautics and Space Administration, Washington, D.C.

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A most uncommon place. Where the days stretch as unhurried as the play on our 3 challenging championship nines. Where the only rush is to serve you. Wherever you are, whatever you prefer to do. The pleasures of our wooded peninsula and the beautiful Bay are almost endless. Everything from golf, tennis, riding, sailing water-skiing and swimming (in season) to skeet and trap shooting, bicycling, freshwater and deep-sea fishing. It's a grand time with very Grand Hotel accommodations, food and hospitality. Every season of the year.

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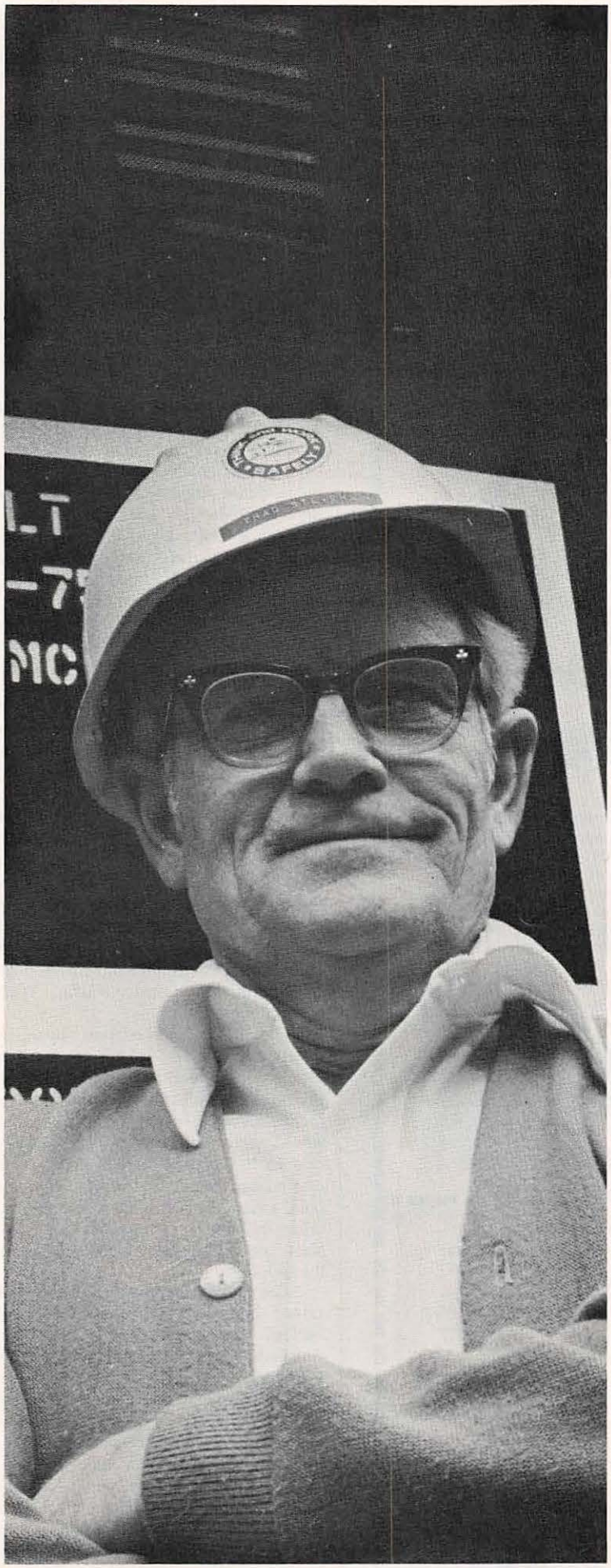

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FMC Transportation Equipment

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Shippers like USRA plan

(Continued from page 38)

wise we will have a repeat of the Penn Central failure."—E.R. Pyle, distribution service supervisor, Vick Chemical Co., Philadelphia, Pa.

"The development of a functionally sound and financially healthy railway system in the Northeast will be dependent upon a number of factors: a) Where public convenience and necessity does not require continued operation of railroad branch lines, they should be promptly abandoned to remove the financial burden of the carrier. When operations are required and the carrier is not able to operate the trackage on a break-even basis, then a subsidy program should be developed between the carrier and shippers involved. b) The railroad industry and the brotherhoods must adopt work rules which will eliminate complacency while promoting efficiency and productivity. c) Relieve the railroads of local property taxes on rights-of-way since there are none on competitors' facilities. d) The elimination of duplicate or dual facilities with a commitment of sufficient Federal funds to repair tracks and roadbeds."—Harold W. Mathues, manager rail rates and services, Sun Oil Co., Philadelphia, Pa.

"Unless all unused and little used trackage is torn up, railroad deficits will continue. What is needed is the courage and intellectual integrity in the ICC and State governments to accept this. I am convinced that successful negotiations are possible between ConRail and viable eastern railroads to resurrect these rail services into profitable enterprises. These viable railroads should not be coerced into mergers they deem unwise."—J.M. Benson, distribution manager, Hiram Walker & Sons, Detroit, Mich.

"The northeast railroad systems proposed, i.e. Chessie, N&W and ConRail, could be healthy, profitable entities under private ownership if: 1) Government would underwrite the labor agreements made at time of merger of New York Central and Penn Railroad so ConRail can reduce the payroll as needed without penalty. 2) Unprofitable lines are abandoned or the deficits made up to the operators. 3) Railroads get additional flexibility for rate setting to allow competitive pricing of services."—P.O. Willaman, vice-president sales, New York Air Brake, Watertown, N.Y.

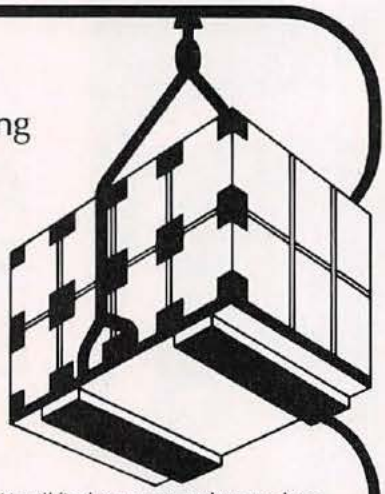
● **Medicine plus surgery.** "It appears to me that the Northeast railroads are like a patient who is sick. Many experts have looked at the patient and agree that something is causing the problem. Much medicine is being supplied and now we will have surgery. With the loss of some members the patient will recover but will not be able to function as before. The important thing is that the patient recover. I feel that the railroads are never going to be able to survive without this help."—Joseph A. Frederick, manager-traffic, Warner Company, Philadelphia.

"The nation's taxpayers have been called upon before to bear the burden of establishing interstate highways for use by the motor carrier industry, and in airport facilities for the use of the air lines, so it would seem only natural that they will have to, in this time of great need, assist in upgrading railroad operating facilities to a point where they are able to compete with other modes of transportation."—T.E. Nast, traffic manager, CF&I Steel Corp., Pueblo, Colo.

"The government has always maintained highways and waterways for the various users; the economic plight of the railroads makes it necessary to include them in the future."—R.D. Cochran, traffic manager, Stearns Foster Co., Cincinnati, Ohio.

"I have read with interest some of Senator Weicker's remarks. I find his suggestion that the government take over the upkeep and maintenance of tracks and rights of way of great interest and worthy of future exploration."—J.J. D'Arcy, general traffic manager, Congoleum In-

There's a whole new world of information on the shipping and freight industries in the New JANE'S...



JANE'S FREIGHT CONTAINERS 1974-75

Edited by Patrick Finlay

If you're into the container scene – or want to know what it's all about – this is the one indispensable source of rapid reference to what's happening in over fifty countries throughout the world. Details of port equipment and facilities, often accompanied by maps and aerial views, are just part of the information you'll find within its 700 oversize pages, covering every aspect of the "big box" business.

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dustries, Kearny, New Jersey.

● **Another Amtrak?** "Survival of northeast railroads, without government subsidies, depends on reduction in excess trackage, new labor agreements and qualified management—otherwise nationalization will take place and the taxpayer is faced with another Amtrak except on a much larger scale."—John P. Zumwalt, general manager transportation and distribution, Wilson & Co., Oklahoma City, Okla.

"Railroads are here to stay. They need some help in regulation changes to keep viable and profitable. The western and southern lines come on in fair shape. The Northeast is now and has always been the problem. Unfortunately, it seems that it will take government funds to keep service going, with no end in sight. I am fearful that the Northeast will be a government carrier and the rest of the U.S. private. I cannot see how the Northeast can survive except with government funds."—Lloyd Philips, traffic manager, Riviana Foods, Inc., Houston, Texas.

"The economic welfare of our country is directly dependent upon a modernized, financially healthy railroad industrial plant and equipment. It's just as important as the military as far as national defense is concerned. Rail is still the most practical method of moving gross tonnages from an energy, safety and pollution standpoint.

"So I have great faith that somehow we will come to our senses and correct the situation, despite the bureaucratic bunglers in Washington, the parasitic unions, ineffective railroad management, and the myopia of the traffic managers who vociferously oppose each and every rate increase with Pavlovian predictability despite its need or its justification."—R.J. Garrison, transportation services manager, A.B. Dick Co., Chicago, Ill.

"U.S. railroads have a healthy and prosperous future but need an infusion of new thinking not only in the brotherhoods but also in top management of many. The public has no obligation to bailout stockholders or bondholders of individual companies who have let their companies deteriorate. We need a period of less regulation of both rates and service so that sound business judgment and a competitive market can determine which companies and lines will survive."—J.W. Syme, traffic manager Pacific coast, Sears Roebuck & Co., Alhambra, Cal.

"It is my feeling that the railroads are in serious danger unless regulatory procedures are changed so that they are free to price themselves into the business they handle best without the constraints that protect other competing modes. The northeast railroads won't make it, either, if they cannot have this along with physical reorganization."—A.G. Milligan, director of transportation, Sperry and Hutchinson, New York, N.Y. ■

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	Z-26 (41.2#)	12 15/16
	Z-26 (51.2#)	13 1/16
	MODIFIED Z SECTION	12 15/16
	W.T.C. TUBESILL	14

People in the News

Harry J. Breithaupt Jr.
AAR

Leroy F. Fox
ICG

John F. Gerity
MC

A.W. Polich
TP&W

ASSOCIATION OF AMERICAN RAILROADS.—**Harry J. Breithaupt Jr.**, general counsel, assumed duties March 1 as vice president and general counsel, succeeding **William M. Moloney**, retired. **Richard E. Keefer**, executive assistant to the president and secretary-treasurer also has retired. Mr. Keefer has been succeeded as secretary by **Hollis G. Duensing**, who, in addition, continues as general attorney. **C.P. Safrit**, chief accountant, succeeds Mr. Keefer as treasurer.

DELAWARE & HUDSON.—Appointments at Watervliet, N.Y.: **G. Constantini**, assistant master mechanic-system; **E.E. Johnson**, superintendent, Colonie Shop, **H. Kern**, assistant superintendent, Colonie Shop; **J.H. Wood**, manager, quality control-locomotive; and **R.H. House**, diesel supervisor.

ERIE LACKAWANNA.—**M.A. Ondecker** appointed assistant director of operations planning, Cleveland. Operations planners named: **J.G. Bobinyec, D.L. Buccolo, D.K. Peppard; W.H. Stubbs**, and **T.J. Turkon.**

W.F. Gale appointed manager piggyback operations-agent, and **A.A. Carbone**, supervisor-piggyback, Chicago.

J.H. Deemer appointed trainmaster, Hoboken, N.J. **C.R. Stone** named trainmaster-road foreman of engines, Port Jervis, N.Y. **T.L. Huckabone** appointed trainmaster-agent, Akron, Ohio.

Appointments at Marion, Ohio: **A.J. Warcaba**, terminal superintendent; **T.D. Tackett**, trainmaster, Marion Division; **C.W. Allen**, senior terminal trainmaster; **E.H. Meinberg, J.A. MaKeever** and **H.T. Little**, terminal trainmasters.

ILLINOIS CENTRAL GULF.—**Leroy F. Fox** elected vice president and chief engineer. He was formerly assistant chief engineer maintenance, **Chicago & North Western.**

MAINE CENTRAL.—**John F. Gerity**, comptroller and clerk of the corporation, elected vice president, succeeding **Horace N. Foster**, retired. **John Michaels**, assistant comptroller-expenditures, elected comptroller.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS.—**Ross Capon**, former special assistant to the Massachusetts Secretary of Transportation, has joined NARP as assistant director.

NEW JERSEY DEPARTMENT OF TRANSPORTATION.—**Richard J. Anderson**, transportation planner, **Port Authority of New York & New Jersey**, named director of commuter services, N.J. DOT.

READING.—**Richard B. Hoffman**, director operations, Philadelphia, named general manager operations, succeeding **Andrew J. Porambo**, who has retired after 35 years

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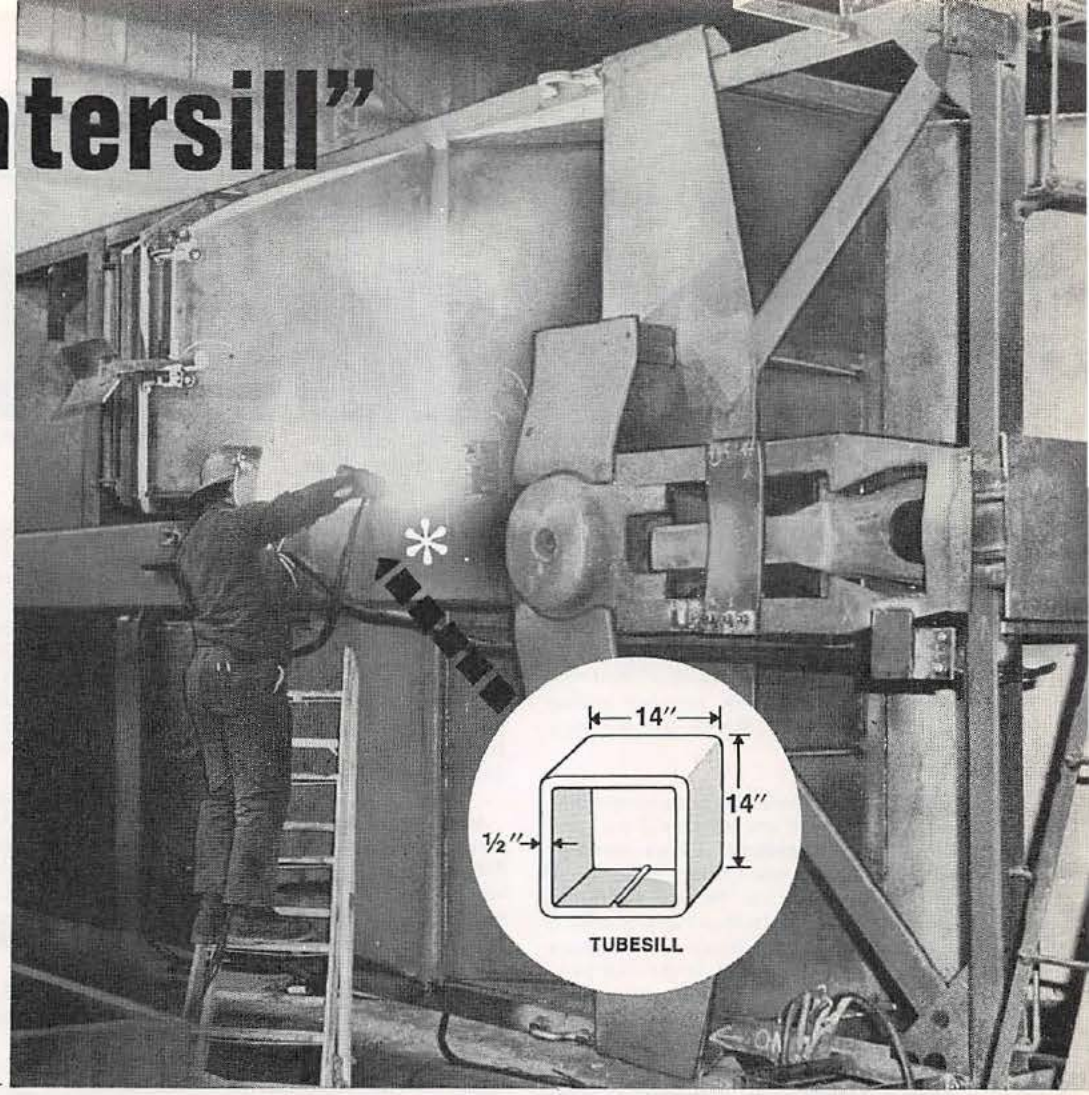

with the Reading. **David E. Schafer,** manager operations, named director operations.

Edward F. Cahill, regional sales manager, Westland, Mich., named regional sales manager, Reading, Pa., succeeding **Merrill G. Colflesh,** retired after 32 years with the Reading. **J. Pierce Avant,** sales manager, Reading, succeeds Mr. Cahill, with headquarters at 36271 Grand River, Suite 102, Farmington, Mich.

SANTA FE.—Has transferred the northern California regional office of the refrigerator department from San Francisco to Fresno, Calif. **A.C. Lamborn**, refrigerator department district manager, Fresno, advanced to regional manager in charge of the new office. Mr. Lamborn succeeds **C. Dean Conaway,** who becomes northern California district sales manager-perishables, San Francisco, to replace **Howard K. South,** retired.

SEABOARD COAST LINE.—J. Kenneth Baldwin, operations assistant-mechanical, Jacksonville, appointed superintendent of motive power. **Harold R. Boyette,** office engineer-mechanical, named chief of budget control. **Robert B. Dulaney,** engineering assistant-mechanical, named administrative assistant to the assistant vice president of equipment. **J.L. Hufham,** assistant superintendent diesel engineering instruction, named director of the engineman training program. **Leonard A. McClean,** assistant chief of equipment engineering, named chief of equipment engineering. **H.W. Upshur** appointed mail traffic manager, Richmond, Va.

SOUTHERN PACIFIC.—Frank M. Guerin, traffic manager, Los Angeles, appointed to the newly created position of assistant vice president-traffic. He will be in direct charge of SP's sales and service activities in an area ranging from San Luis Obispo and Techapachi to the Arizona and Mexican borders. **Morris E. Mitchell,** general traffic manager, Chicago, named general traffic manager in Southern California, also a newly created position.

TEXAS RAILROADS ASSN.—Jimmy Banks appointed director of public relations, Austin, Tex., to succeed the late **Ray Osborne** (RA, Oct. 28, 1974, p. 56).

TOLEDO, PEORIA & WESTERN.—A.W. Polich, general manager and chief engineer, promoted to vice president-operations.

UNION PACIFIC CORP.—John P. Halan elected to the newly created position of vice president-employee relations, New York. Mr. Halan was formerly vice president-employee relations, Citicorp, the parent company of First National City Bank.

U.S. DEPARTMENT OF TRANSPORTATION.—Bruce T. Barkley appointed acting director, Office of Transit Management, Urban Mass Transportation Administration. He was formerly director Program Development Division, UMTA Office of Policy and Program Development.

WESTERN MARYLAND.—John W. Ryder appointed assistant manager, foreign commerce, New York, succeeding **Edward P. Ryan,** named eastern sales representative, New York, to replace **W.K. Gronemann,** retired. **John E. Ruf** appointed sales representative, Chicago, succeeding **R.E. Farrell,** promoted to district sales manager, San Francisco (RA, Feb. 24, p. 42).

OBITUARY

Walter E. Burns, 57, mechanical superintendent, **Lehigh & Hudson River,** Warwick, N.Y., died March 17.

John T. Elwood, 52, south east regional sales manager-railroads, **Vapor corp.,** died Jan. 21 in St. Louis.

Hunter Holding, 70, an authority on railroad finance, who was an architect of the transportation equipment leasing program of the Equitable Life Assurance Society of the United States, died March 17 at New York Hospital.

Roland T. Leisk, 77, retired assistant vice president, **American Steel Foundries,** Chicago, died Feb. 7 in Ann Arbor, Mich.

J. Elmer Monroe, 80, a former vice president, **Association of American Railroads,** and director, **Bureau of Railway Economics,** died Feb. 13, at Washington Hospital Center.

Louis D. Davis
ASF

George A. Tedesco
PLM

Glen A. Schlueter
Simmons-Boardman

Thomas J. Price
Keystone

Richard O. Ballentine
Butler Mfg.

Edward S. Steck
MacLean-Fogg

Suppliers

American Steel Foundries has appointed **Louis D. Davis,** executive vice president; **C.W. McCullough,** vice president-manufacturing; **Robert P. Radwill,** vice president-product engineering; **Donald E. Meves,** manager-manufacturing services.

George A. Tedesco has been named marketing vice president and member of the board of directors, **Professional Lease management,** heading the new Chicago office at 332 South Michigan Avenue. He will assume responsibility for leasing railroad rolling stock to shippers, utilities and railroads. Until recently, Tedesco served as assistant to the vice president, **Pullman-Standard,** Chicago, with responsibilities for sales and new product development.

Glen A. Schlueter has been named regional sales manager-midwest for the railway publications of **Simmons-Boardman Publishing Corp., Railway Age, Railway Track & Structures, Railway system Controls** and **International Railway Journal.** In his 16-year career in newspaper and magazine advertising, Mr. Schleuter has handled a number of publications, most recently with assignment on two published by Harcourt Brace Jovanovich.

Thomas J. Price has been named vice president engineering, **Keystone Railway Equipment Co.,** Camp Hill, Pa. Mr. Price was formerly director of engineering, **National Castings Division, Midland-Ross Corp.**

Richard O. Ballentine has joined **Butler Manufacturing Co.** at Kansas City, Mo., in the new position of vice president-legal. Mr. Ballentine was previously assistant corporate general counsel, **Dow Corning Corp.,** Midland, Mich.

Edward S. Steck, regional sales manager, **MacLean-Fogg Lock Nut Co.,** has been named manager of railroad sales.

Carl L. Henricks has joined **Southeastern Railroad Materials, Inc.,** Atlanta, Ga., as vice president-marketing. He has been associated with the communications and signal industry since 1947.

Wayne D. Ferry has been appointed financial analyst, **Farrel Co. Division, USM Corp.,** Rochester, N.Y. He was formerly controller, Delevan Division, American Precision industries, East Aurora, N.Y.

John W. Miller has been named vice president-sales, **ACI Systems Corp.,** a **Pullman Inc.** company. Mr. Miller will have headquarters in Washington, D.C., and be responsible for ACI sales in Eastern United States, liaison with government agencies, and will continue to serve **Pullman-Standard** as vice president sales-freight.

Norman S. Adams, chief engineer, research and development, **Ortner Freight Car Co.,** Cincinnati, has been promoted to engineering assistant to the vice president. **John A. Ritter,** chief engineer-production, has been promoted to chief engineer.

Stephen A. Coughlin has been appointed manager-welding engineering, **Amcar Division, ACF Industries,** St. Charles, Mo. He was formerly section manager, Babcock & Wilcox Co., Alliance, Ohio.

Robert L. Krattli, director of Soviet sales, **Pullman, Inc.,** Moscow, has been appointed vice president-Soviet operations.

William F. Huggins has been appointed vice president-international of **WABCO** at Pittsburgh. He will be responsible for coordination of international marketing and product development programs for WABCO Transportation Systems Group and WABCO Westinghouse of Europe. Mr. Huggins was formerly vice president-international marketing, Westinghouse Air Brake Division.

Howard J. Robbins has been appointed vice president, international marketing, **Rohr International Corp.,** a subsidiary of **Rohr Industries, Inc.,** Chula Vista, Calif. Robbins will direct the development of new international markets with special emphasis on ground transportation systems, including personal rapid transit and rail transit systems. Prior to joining Rohr, Robbins was executive vice president of GETECA, a consortium of 14 French aircraft equipment manufacturers that specializes in the sale of French technology in the U.S.

John T. Appelen, senior project engineer, Maintenance of Way Division, **Loram Construction, Inc.,** has been appointed chief engineer. **Robert T. Dilley** has been appointed plant superintendent. Prior to joining the Loram organization, Mr. Dilley was employed by **Morrison-Knudsen.**

D.L. Leland has been elected president, **Station List Publishing Co.,** St. Louis, Mo., and **L.H. McBride** has been elected tariff publishing officer. They succeed the late **A.P. Leland.**

Eugene F. Migely, manager of marketing services, **KW Battery Co.,** has been appointed division marketing manager, succeeding **Robert A. Mertz,** appointed manufacturing manager, Skokie, Ill.

Gary M. Rayner has been promoted to service engineer, **Edison Battery Division, McGraw-Edison Co.,** Bloomfield, N.J.

Frederick G. Suffield has been appointed to the newly created post of manager, automatic passenger fare collection for mass transit systems, **Cubic-Western Data,** San Diego, Calif. He will be responsible for design, development engineering and production for the entire product line. Previously he was a Los Angeles-based consulting engineer specializing in urban science and technology.

John P. McGrath has been appointed marketing manager, chemical products, Special Products Division, **Standard Pressed Steel Co.** He will have specific responsibility for marketing and selling the new line of Unbrako anaerobic adhesives.

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The man talking to you about COBRA Brake Shoes is a railroad man who understands the total concept of braking systems. When he's not in a discussion about COBRA Shoes, he's helping design braking systems for roads like yours.

Secondly, all brake shoes are not the same. That's why COBRA Shoes are painted red. We want them to stand out and be counted. Counted on for longer life, less wheel wear.

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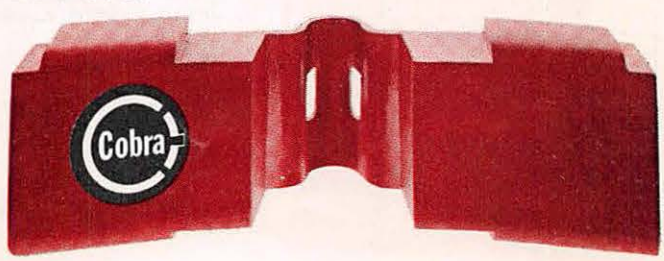

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The Railway Age

(March 16, March 23 and March 30, 1900)

The chief traffic official of the Santa Fe told a meeting of Kansas shippers the other day that the railways could defend a radical advance in rates "on account of the overdose of prosperity from which we are suffering." Increase of business has brought great increase in the expense of doing business. It will cost the Santa Fe $250 a mile more to operate its road this year, according to the same official; which means nearly $2,000,000 more than last year. Fortunately, however, the earnings are likely to fully keep pace with the expenses.

***

Work is just beginning on the construction of the New York underground railroad. This great enterprise, the contract price of which is $35,000,000, is the result of twelve years of popular discussion and of State and municipal legislation. The first steps leading up to the present work were taken in 1888, during the administration of Mayor Abram S. Hewitt. The tunnel or subway has its reason for existence in the peculiar configuration of Manhattan Island, and in the inability of the existing surface and elevated lines to handle comfortably the enormous volume of travel during the "rush hours" morning and evening.

***

The Baltimore & Ohio Railroad has established an electric automobile service at Washington, D.C., in connection with its train service, being the first railroad to introduce this mode of transportation regularly to and from its railway station. The automobiles are of the latest electric pattern, absolutely noiseless in regard to machinery and running gear. Two small trunks can be carried on the supports at the rear of the vehicle, and the top of the cab provides ample room for small traveling bags and hand luggage.

***

Negotiations are in progress that are likely to result in a considerable enlargement of the American Car & Foundry Company's European business. The management is convinced that the export trade not only to Europe but to other parts of the globe will hereafter play an important part in American car building. The orders now in hand from American and other companies will keep the works running to their full capacity for several months. The report that the company are about to begin the manufacture of steel cars is not confirmed, but the intimation is pretty direct that the Detroit shops ultimately may be devoted to that branch of the industry.

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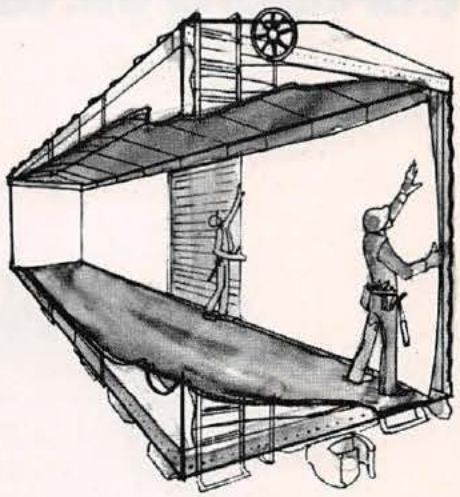

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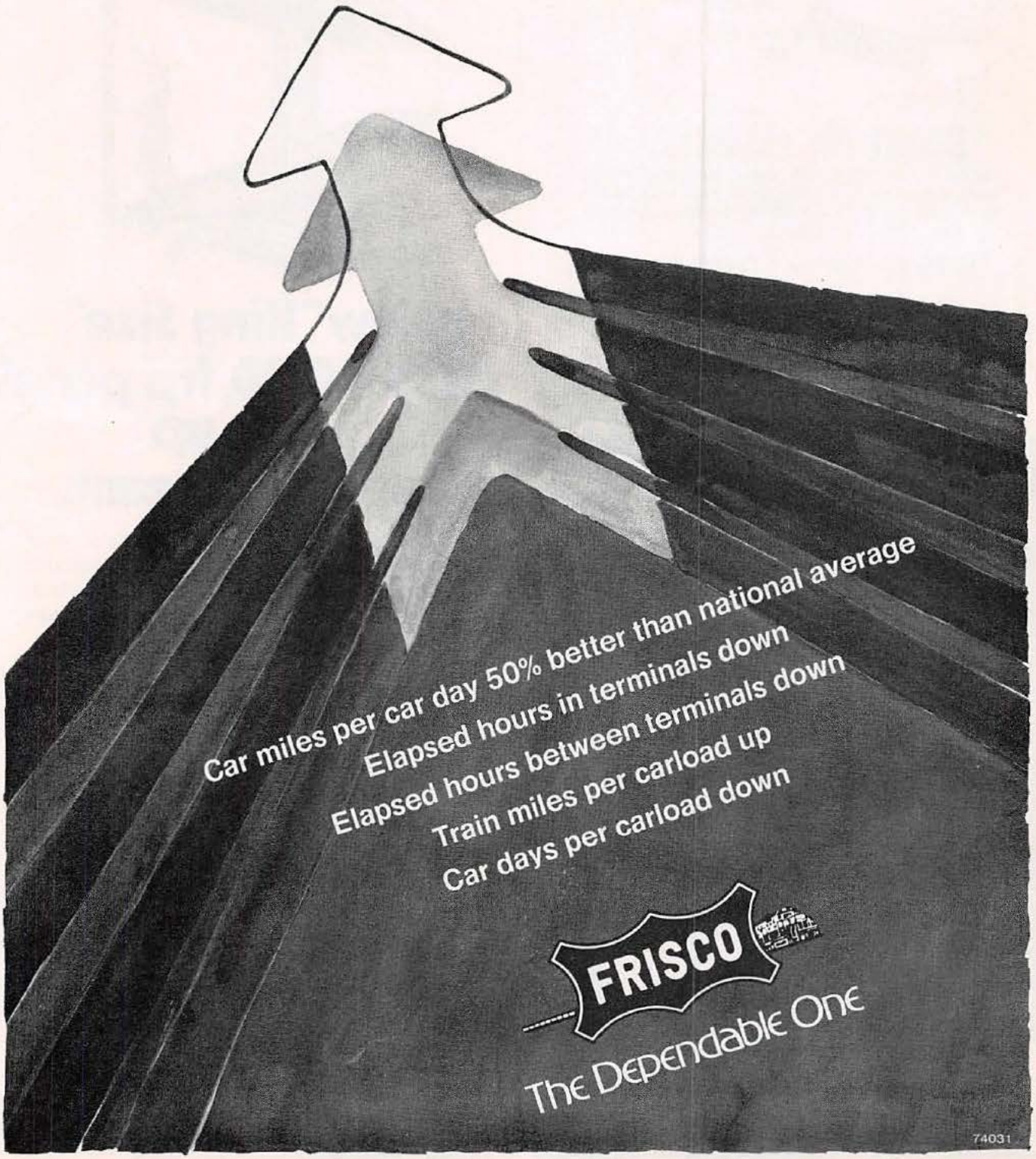
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Market Outlook

CARLOADINGS

Loadings of revenue freight in the week ended March 15 totaled 433,401 cars, according to the Association of American Railroads. This was a decrease of 14,250 cars, or 3.2%, compared with the previous week, and a decrease of 89,355 cars, or 17.1%, compared with the corresponding week last year. Ton-Miles generated by carloadings in the week ended March 15 are estimated at 14.5 billion, a decrease of 15.1% below the corresponding week of 1974.

REVENUE FREIGHT CARLOADINGS

Commodity	Mar. 15 week	Mar. 8 week	Mar. 1 week
Grain	22,741	25,379	23,658
Farm products	7,464	8,014	8,507
Metallic ores	25,145	24,362	24,566
Coal	85,647	94,405	94,246
Crushed stone, gravel & sand	19,983	20,124	20,125
Nonmetallic minerals	14,424	13,469	14,467
Grain mill products	19,560	19,959	19,667
Food and kindred products	20,159	20,222	21,786
Primary forest products	17,104	19,396	19,994
Lumber & wood products (except furniture)	11,307	10,944	12,216
Pulp, paper & allied products	18,571	18,666	19,904
Chemicals & allied products	26,823	26,499	27,167
Petroleum products	7,072	7,332	7,228
Stone, clay & glass products	15,755	16,469	16,467
Coke	8,432	8,443	8,003
Metals & products	22,352	23,221	25,079
Motor vehicles & equipment	18,759	17,185	16,667
Waste & scrap materials	14,526	14,645	15,593
Forwarder & shipper assn. traffic	8,405	8,934	8,885
All other carloads	48,736	49,567	53,099
LCL traffic	436	416	390
Total cars loaded	**433,401**	**447,651**	**457,714**
Cumulative total, 11 weeks	1975		1974
	4,810,182		**5,590,597**
Estimated revenue ton-miles (billions) 11 weeks	160.4		181.6

PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended March 8 totaled 23,700 cars (30.8% below the corresponding week last year and 5.7% below the preceding week of this year). Trailers or containers totaled 41,416, 31.0% below 1974 and 2.1% below the preceding 1975 week. Cumulative volume for the first 10 weeks of 1975 is 222,581 cars (off 29.8% from last year) and 384,811 trailers or containers (down 30.2% from 1974).

IN CANADA

Canadian railway revenue freight loaded in the 7-day period ended Feb. 14 totaled 4.19 million tons (up 3.0% from 1974). Cars loaded decreased 2.8% to 71,976. Cumulative loadings for 1975 were up to 26.187 million tons (5.9% above 1974).

• *Canadian National.*—Ordered 600 70-ton longitudinal hopper cars from National Steel Car at a cost of $15 million. Delivery is scheduled to be made between February and June of 1976.

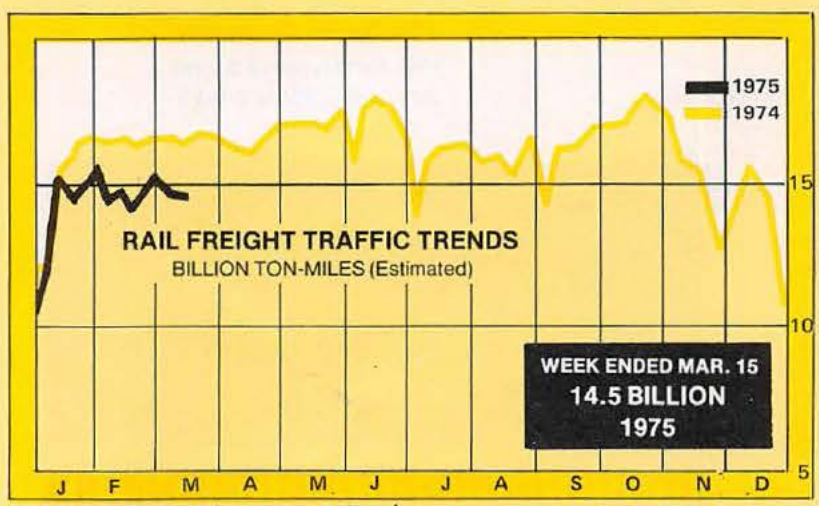
• *CP Rail.*—Delivery of 50 3,000-hp SD 40-2 locomotives from the diesel division of General Motors of Canada was completed early this month. Delivery of another 40 locomotives will begin in mid-October.

• *Chessie.*—Growth of coal traffic on Chessie lines will require capital expenditures that "might total $1 billion in five years' time," according to the system's annual report. This revises upward an earlier estimate that Chessie would need to invest $300 million in coal cars and motive power (RA, July 8, 1974, p. 11).

• *Metropolitan Atlanta Rapid Transit Authority.*—Will advertise for bids on 10 equipment contracts costing between $240 million and $343 million before June 30. Major item on the list is for 338 transit cars, which will be advertised for bids in April and which MARTA expects to cost $150 million to $200 million. Also on the list is automatic train control equipment for the entire MARTA system, to be advertised in June, estimated to cost $55 million to $87 million; and a systemwide communications system, to be advertised in April, costing $13 million to $19 million.

• *Puerto Cortez, Honduras.*—An automatic scale system for measuring weights of bulk material carried in railroad cars has been installed here. The system—developed and supplied by Railweight, Inc., will weigh all cars leaving the newly completed port facilities while they are coupled in motion in the train. The system is said to do in minutes what a crew of five trainmen and an engine previously required 10 hours to accomplish.

• *Texas Mexican.*—Awarded a contract for installation of a new data system designed to reduce freight-car-handling costs and speed service to customers. The system, developed by Sands Measurement Corp., uses computer technology and closed-circuit television so that operating data is automatically generated by train movement.



Source: Association of American Railroads

Car supply: A year later

(Continued from page 25)

—The minimum time required to load and unload, which depends upon the type of equipment used as well as the facilities at origin and destination.

The first three factors, McDonald points out, are mainly concerned with the technology of car distribution, the last factor is essentially controlled by the customer and the remaining items "reflect basic conditions in the market for transportation and the interplay between the forces of supply and demand as influenced by price—that is, rates and tariff conditions. Much attention has been paid to the technological aspects of the utilization problem, the physical handling of goods and cars. But I believe that more attention must now be given to the influence of rates and traditional practices on car utilization."

PC's former vice president-staff continues: "The principles of marketing suggest that the range of price-and-service combinations offered to the shipper should broadly reflect the underlying comparative economics of producing these various services and the tradeoffs that determine their relative advantages. Confronted with this, the shipper—through the free exercise of his choice in the marketplace and in the perspective of his total distribution costs—is likely to respond in ways that will produce mutual benefits. I question, however, whether traditional practices and pricing—thinking of in-transit traffic, for example—conform to these principles.

"One must question whether historical patterns are appropriate to an era in which monopoly has long since disappeared and a substantial part of the railroad industry is subsisting on marginal rates of return. Curiously enough, shippers are generally not offended when truckers insist upon a quick release and turnaround of their equipment, which they handle quite effectively. On the other hand, no one thinks it odd that the railroads are obliged to hold thousands of scarce freight cars under load waiting for ships. The days of 'free time' at ports are not 'free' to the railroad, nor is this traditional requirement helpful to shippers who have to forgo the use of much-needed equipment."

● **Where's the action needed?** So, what do you do to improve utilization? Actually, you don't really do much that's "new." You recognize the problem. You analyze it, as AAR is trying to do in the long-range research-and-action program now under way. You take a total-systems approach—turning the old bit about transportation being one link in the total distribution process from a cliche into a fact that is accepted and acted upon by all-concerned, including carriers, shippers, receivers, industry associations, suppliers, government agencies.

What do you do, within your own sphere of influence? As McDonald put it, "I suggest that each of us proceed to move in those areas where self-help can be effective. For a railroad, this includes, for instance, improving techniques of car control and distribution. For a shipper, this includes taking measures to avoid the physical abuse and misuse of cars and to effect prompt release of empties in reasonably clean condition. . ."

Sum it up? Well, given the present state of the economy, you have to believe the fellow who wisely observed that "There is no way to move that which isn't being produced." Today, business is terrible, car "utilization" figures are terrible. But, most people have an abiding belief that the economy—at some point and, hopefully, soon—will rebound. When it does, railroads—assuming maintenance hasn't gone to hell—will again be able to show what they were showing through most of last year: It *is* possible to get more and more use out of the equipment asset. And more. And more. ■

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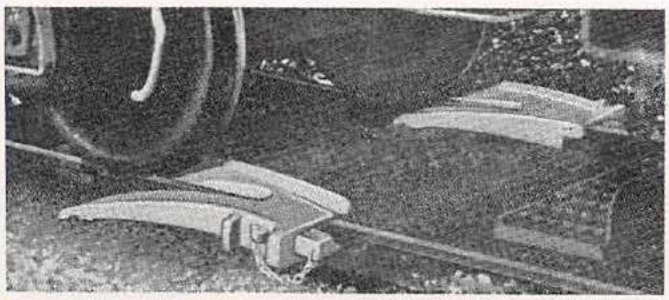

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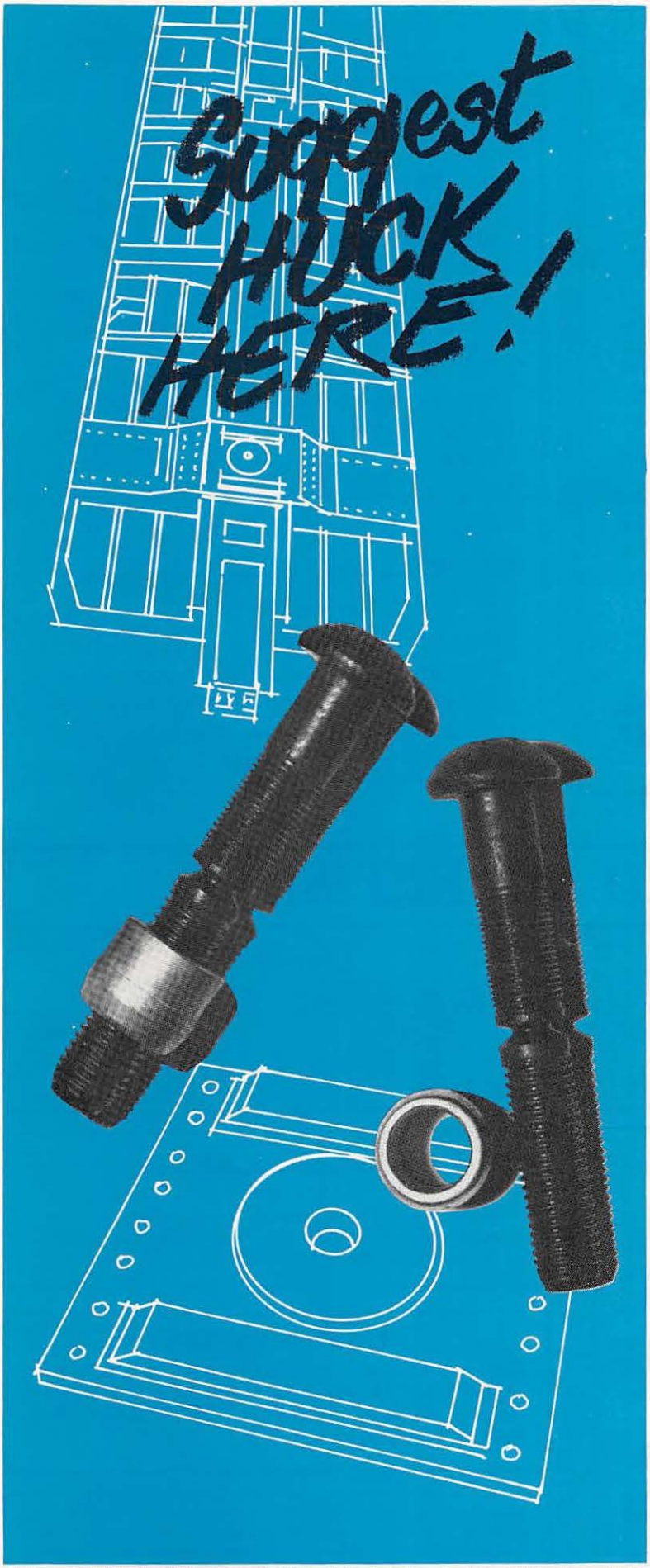

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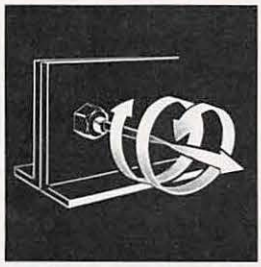

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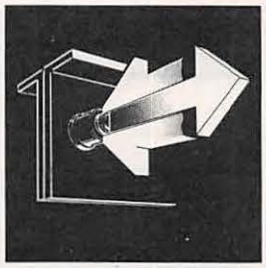

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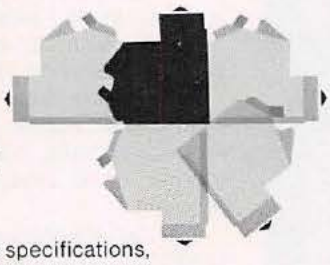

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Delaware & Hudson 50
Denver & Rio Grande Western RR. 38
Enerpac Division 66
FMC Marine & Rail Equipment Division 53
FreightMaster 17
Fruehauf Division. 48-49
German Federal Railroad 35
Gindy Manufacturing Corporation 43
Grand Hotel 52
Greenville Steel Car Company. 14-15
Griffin Wheel Co. 29
Holland Company 9
Huck Manufacturing Company 65
Illinois Central Gulf RR. 18
International-Stanley Corp. 47
Jane's U.S.A. 54
Kemlite Corporation 61
McConway & Torley Corp. 58
Marine Industrie Limited 46
Missouri Pacific Lines 13
The Nolan Company 64
Albert Pick Hotels & Motor Inns 64
Pullman, Inc. 22-23
Railroad Dynamics 51
The Railway Educational Bureau. 52
St. Louis-San Francisco Rwy. Co. 62
Simmons-Boardman Publishing Corp. 46
Smith Tool Company, Inc. 61
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Viewpoint

Who's going to do something about coal?

Coal.

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There have been a lot of meetings of people who wanted to talk about coal—and one of the valuable ones may have been staged in San Francisco not long ago by Professional Lease Management, Inc., which has interests in leasing coal-carrying railcars. PLM brought together people from producers, users, transporters, carbuilders, government. On the transporter side, there were such people as Larry Forbes, vice president-coal and ore traffic of Norfolk & Western, and Bob Godfrey, director-marketing development of Union Pacific. What they had to say was largely upbeat, as it should have been—but it didn't all come up roses, and the thorns had mostly to do with government policy.

As Larry Forbes put it, coal can do the job—but there seems to be a "stumbling block somewhere in the bureaucratic jungles along the Potomac." He called for policy changes, not the least of which involve a rationalization of rail systems in the Northeast. He called for changes affecting producers, utilities, railroads. He called for a policy which recognizes coal "as the most abundant national fuel source, readily extracted, easily moved, impervious to the shifts and swerves of international politics."

UP's Bob Godfrey called particular attention to what government was looking at last year and what it has been looking at again: Surface mining. "We are especially concerned with this aspect of the energy problem," he said, "because it impedes developmental potential. Prohibition of stripmining is neither practical, in view of the deepening energy crisis, nor is it necessary, in view of the advances in land reclamation."

Well, nobody really wants to be held hostage by an Arab Sheik or even by a friendly neighbor in Venezuela. Nobody, not even the most dedicated environmentalist, actually wants to have the opportunity to freeze in the dark. Government policymakers, presumably, will some time count the number of votes from the Kuwait precinct and decide what to do about coal. Unless the whole political process has gone out-of-phase, the decision will be in favor of mining the stuff—with fair, but not confiscatory, environmental standards.

NEEDED: THE VOICE OF A PRAGMATIST

Sooner or later, in short, some pragmatist has to stand up and say, "Hey, we have coal and we're going to use it. We're going to mine it, we're going to ship it, we're going to burn it." Some pragmatist, too, has to make it clear that available technology really can be best and least expensive in all phases of coal use. For the movement of the stuff, that means railroads—railroads which can easily tap the producing areas, railroads which have the routes to the users, railroads which already do a fantastic production-line job of moving coal in unit trains. When all this is said, when it all happens, then there will *be* a sound national energy policy, one on which all concerned can rely in planning for new investments and operations. When will it be? Well, the sooner the better.

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55	56	57	58	59	60	61	62	63
64	65	66	67	68	69	70	71	72
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91	92	93	94	95	96	97	98	99
100	101	102	103	104	105	106	107	108
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